

XGD INC.

# 2023 Environmental, Social, and Governance (ESG) Report



XGD INC.

[www.xgd.com](http://www.xgd.com)

Tel: (0755)83481391

Address: 20th Floor, Tower B, Building 10, Shenzhen  
Bay Science and Technology Ecological Park, Nanshan  
District, Shenzhen

# CONTENTS

- 01 • Verview
- 01 • About This Report
- 03 • Chairman's Speech
- 05 • 2023 Key Performance Indicators

## 1 About XGD

- 07 • Company Profile
- 09 • Development Strategy
- 11 • Company Operations Distribution
- 13 • Company Organizational Structure
- 15 • Company's Main Products and Services
- 20 • Company Culture
- 21 • Company Milestones
- 25 • Company Honors and Qualifications

## 2 About ESG

- 27 • ESG Strategy
- 27 • ESG Organization
- 28 • ESG Issues
- 29 • Stakeholder Communication
- 31 • Substantive Issue Analysis

## 3 Robust Corporate Governance

- 32 • Optimizing Governance Structure
- 35 • Compliance Information Disclosure
- 36 • Investor Relationship Management
- 38 • Adhering to Risk Control Standards
- 40 • Committed to Anti-Corruption
- 42 • Adhering to Party Building Leadership

## 4 Green Production and Development

- 45 • Environmental Management System
- 48 • Implementing Energy Conservation and Emission Reduction
- 49 • Expanding Green Business
- 50 • Sharing Eco-Friendly Lifestyles

## 5 Client Responsibility

- 53 • Intellectual Property Protection
- 55 • Innovation and Research & Development
- 59 • Industry Cooperation
- 61 • Client Rights and Interests Protection
- 61 • Quality Service
- 65 • Responsible Marketing
- 66 • Information Protection and Data Security
- 68 • Quality Management
- 72 • Supplier Management System

## 6 Rights and Interests Protection

- 75 • Building a Sustainable Workplace
- 87 • Continuously Contributing to Society

90 • Appendix



## Overview

# About This Report

### Report Scope

This report is an Environmental, Social, and Corporate Governance (ESG) report issued by Shenzhen XGD INC. (hereinafter referred to as "XGD" or the "Company") to its stakeholders. This report is an annual report covering the period from January 1st to December 31st, 2023. Given the long-term and ongoing nature of social responsibility fulfillment, the content of this report includes but is not limited to the year 2023, with some information appropriately supplemented. This report covers XGD and its subsidiaries and branches. Unless otherwise specified, the scope of this report is consistent with the Company's annual report.

### Content Description

The data sources used in this report include internal statistics, administrative documents, and reports of the Company. Unless otherwise specified, the currency and amounts mentioned in this report are denominated in Renminbi (RMB). The financial data provided in this report is for reference only and should be verified with the Company's annual financial report.

### Reference Standards

This report is compiled with a focus on the industry background and highlights the Company's characteristics. The main compilation standards referenced in this report include: the Shenzhen Stock Exchange's "Guidance on Social Responsibility for Listed Companies", the State-owned Assets Supervision and Administration Commission's "Guiding Opinions on Central Enterprises Fulfilling Social Responsibilities", the Global Reporting Initiative's "GRI Standards", and the Chinese Academy of Social Sciences' "CASS ESG5.0 Guidelines for Corporate Social Responsibility Reporting in China", among others.

### Report Acquisition

You can download the electronic version of this report and obtain more information about the Company on the Shenzhen Stock Exchange website (<http://www.szse.cn>), China Information Disclosure website (<http://www.cninfo.com.cn>), or XGD's official website ([www.xgd.com](http://www.xgd.com)).



## Chairman's Statement

Looking back at 2023, it was a memorable year. Facing a complex geopolitical landscape and volatile economic conditions globally, the Company responded to the call for high-quality development of listed companies by actively seeking strategic upgrades, continuously improving its corporate governance structure, strengthening internal management, and upholding the values of "Client-Centricity, Collaboration for Efficiency, and Creating a Better Life Together" to achieve sustainable development and long-term growth.

We optimized corporate governance and improved management efficiency. The Company has always adhered to operating in accordance with laws and regulations, actively responded to the concerns and suggestions of shareholders and stakeholders, strengthened the construction of the board of directors, and established an efficient, transparent, and fair corporate governance structure. We continuously improved risk management and control, resisted corruption in all forms, formulated increasingly complete and systematic integrity restraint systems, and strived to maximize the effectiveness of management.

We conserved resources and energy and adhered to green operations. The Company provides integrated electronic payment technology services, serving society and the public through continuous technological innovation. We actively responded to the national call for "carbon peaking and carbon neutrality" by actively researching and developing innovative low-energy consumption technologies on the product side and conducting

clean production audits. Additionally, energy-saving and consumption-reducing equipment was adopted in various office locations, and the green office concept was promoted. We comprehensively managed the environmental impact of the Company's operations to contribute to a green and harmonious society.

We took on social responsibility to create a better life together. The Company actively responded to government calls to reduce fees and provide benefits, introducing multiple subsidy policies to benefit enterprises and the people, and took practical actions to alleviate the operational pressures of small and micro-enterprises. The Company's corporate culture is diverse and inclusive, providing employees with a good development platform, advocating for a balance between work and life, and promoting the joint growth of employees and the enterprise. We actively participated in social welfare causes, supported education in poverty-stricken areas, contributed to rural revitalization, engaged in community building work, shared the Company's development achievements with society, and jointly built a better society.

The year 2023 has passed. "Memory is a road without a return, and all past springs cannot be restored". In 2024, we are thinking about how to repay society with better company development. Facing increasingly severe environmental challenges, social issues, and governance pressures, we will remain humble and determined. Through continuous thinking and innovation, we will strive to improve our business and operational practices to make greater contributions to the sustainable development of both the Company and society.

Chairman: Liu Xiang



2023 Key Performance Indicators

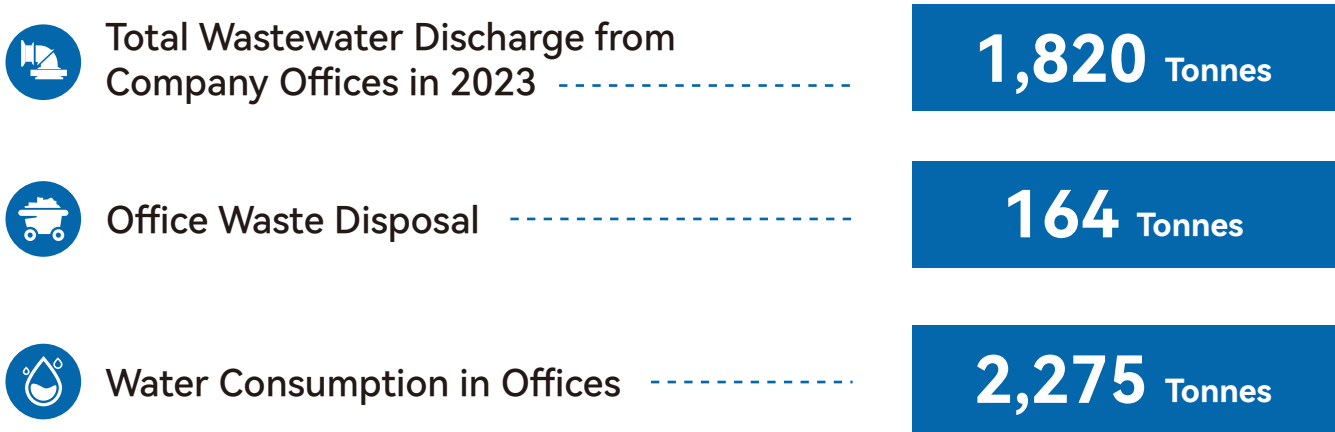
Economic Performance



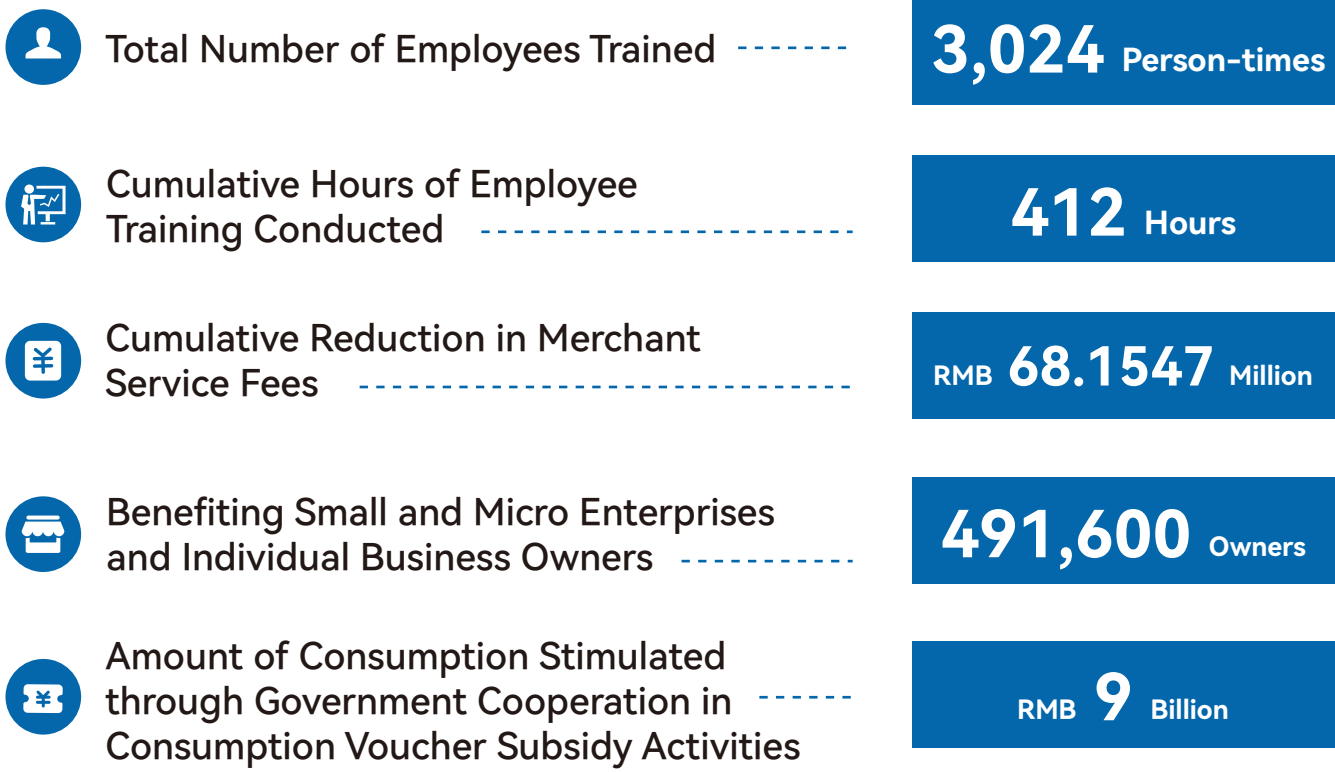
General Meeting of Shareholders		Board of Supervisors		Special committees	
2021	3	2021	7	2021	7
2022	1	2022	6	2022	7
2023	2	2023	5	2023	10

Board of Directors		Performance Presentation Meeting and Collective Reception	
2021	8	2021	2
2022	7	2022	2
2023	7	2023	2

Environmental Performance



Social Performance



## About XGD



## Company Profile

Founded on July 31, 2001, XGD INC. was listed on the Shenzhen Stock Exchange on October 19, 2010 (Stock Code: 300130). After more than two decades of development, it has become a globally leading digital payment technology company. The Company specializes in the design, research and development, production, sales, and service of payment terminal equipment, providing integrated electronic payment technology services. With the development of economic globalization and digitization, starting from 2015, XGD has continuously undergone strategic upgrades and transformational changes, establishing a diversified group focusing on mobile payment terminals, mobile payment platforms, artificial intelligence, and other businesses.

From the past to the future, XGD has always adhered to the mission of "Creating a Better Life Together" and the vision of "Sustainable Operation". Based in China, it expands internationally, facing the world, seeking innovative opportunities with its advantageous industries, and working with all relevant parties to create a harmonious and win-win international industrial ecosystem in the digital economy era.

## Development Strategy

Electronic payment, as a core component of economic activities in the mobile internet and intelligent era, plays an increasingly important role in economic activities and the business ecosystem. It has become a core part of the online and offline integrated business model, and electronic payment acceptance terminal equipment has increasingly become an important operational portal for seizing new business opportunities. Since its establishment in 2001, XGD has focused on the field of electronic payment. Over the past two decades, it has accumulated rich industry experience and possesses the ability to provide comprehensive solutions for electronic payment technology. Through the "Payment + Operation" service system, the Company has a full-process business layout from providing electronic payment acceptance terminal equipment and payment services to digital payment scenario services. Leveraging its technology, industry experience, and business resources accumulated in the electronic payment industry over the years, it provides comprehensive solutions for vertical industry segments, demonstrating the Company's hard power in electronic payment acceptance terminals, the advantage of payment service licenses, and its increasingly improved value-added services and operational service capabilities. The Company focuses on its traditional areas of strength and continues to deeply explore the business potential in these areas.

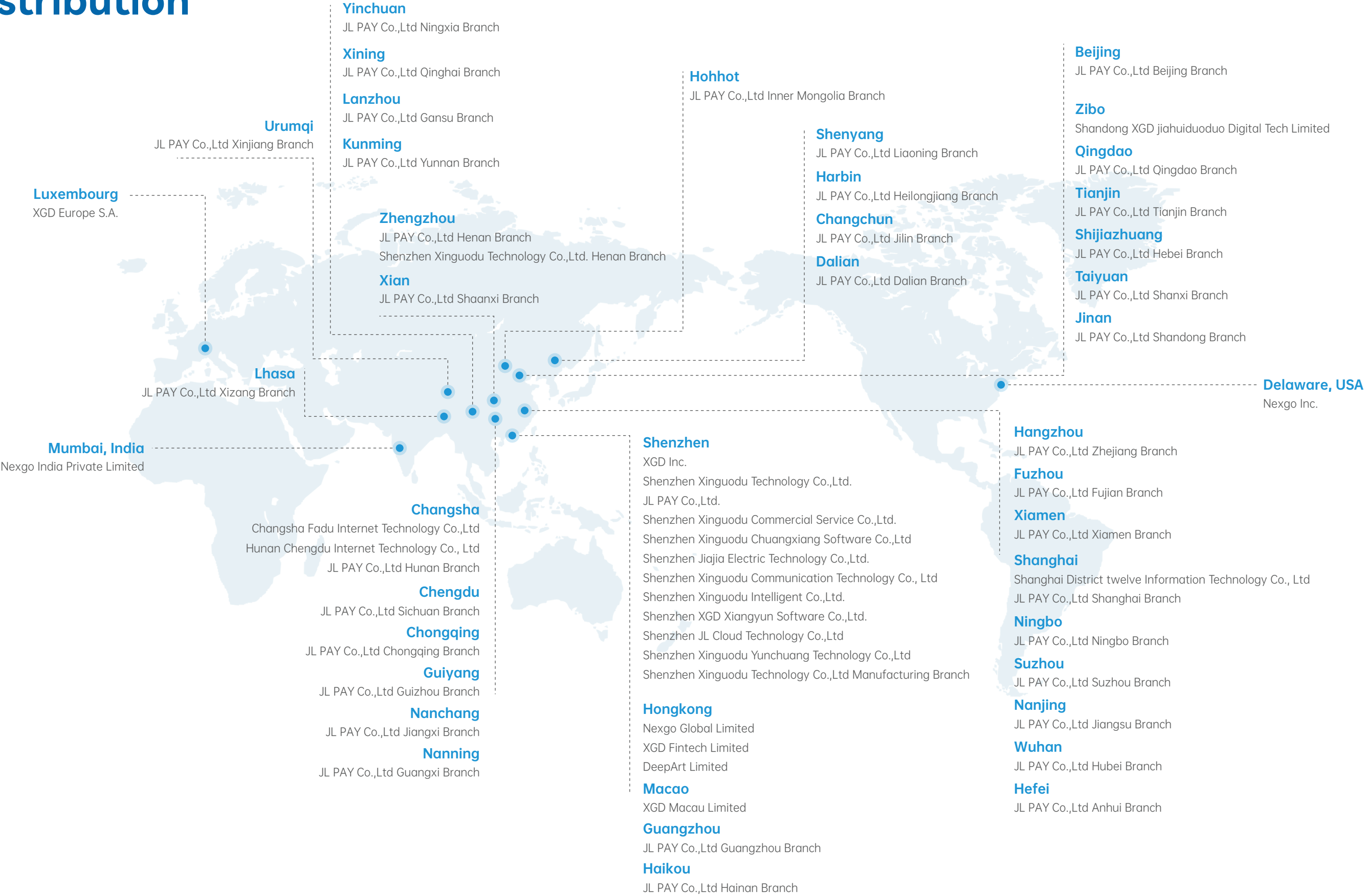
## Company Operations Distribution

Thanks to the continuous promotion and implementation of the Company's international business strategic plan, it has established a comprehensive marketing and service network globally and accumulated a large number of high-quality client resources. JLPay, a subsidiary, has established 36 branches nationwide, with its direct sales channels basically covering all provincial administrative regions nationwide, enhancing channel expansion and deep exploration efforts. Currently, the Company's marketing and service network covers more than 300 cities in China (including Hong Kong, Macao, and Taiwan) and multiple overseas regions, enabling it to quickly respond to clients' needs for electronic payment acceptance terminal equipment and electronic payment services. Based on the Company's extensive service network and efficient service management platform, it can provide global partners, merchants, and consumer users with high-quality electronic payment products, payment services, and comprehensive digital economy industry solutions, continuously enhancing its competitive strength in the international market.

As of December 31, 2023, the Company has achieved product sales, service extension, and provided quality solutions in more than 90 countries worldwide. With the continuous improvement of client satisfaction and market recognition, the Company's brand value and brand recognition in the international market have gradually become manifestations of its core competitiveness.

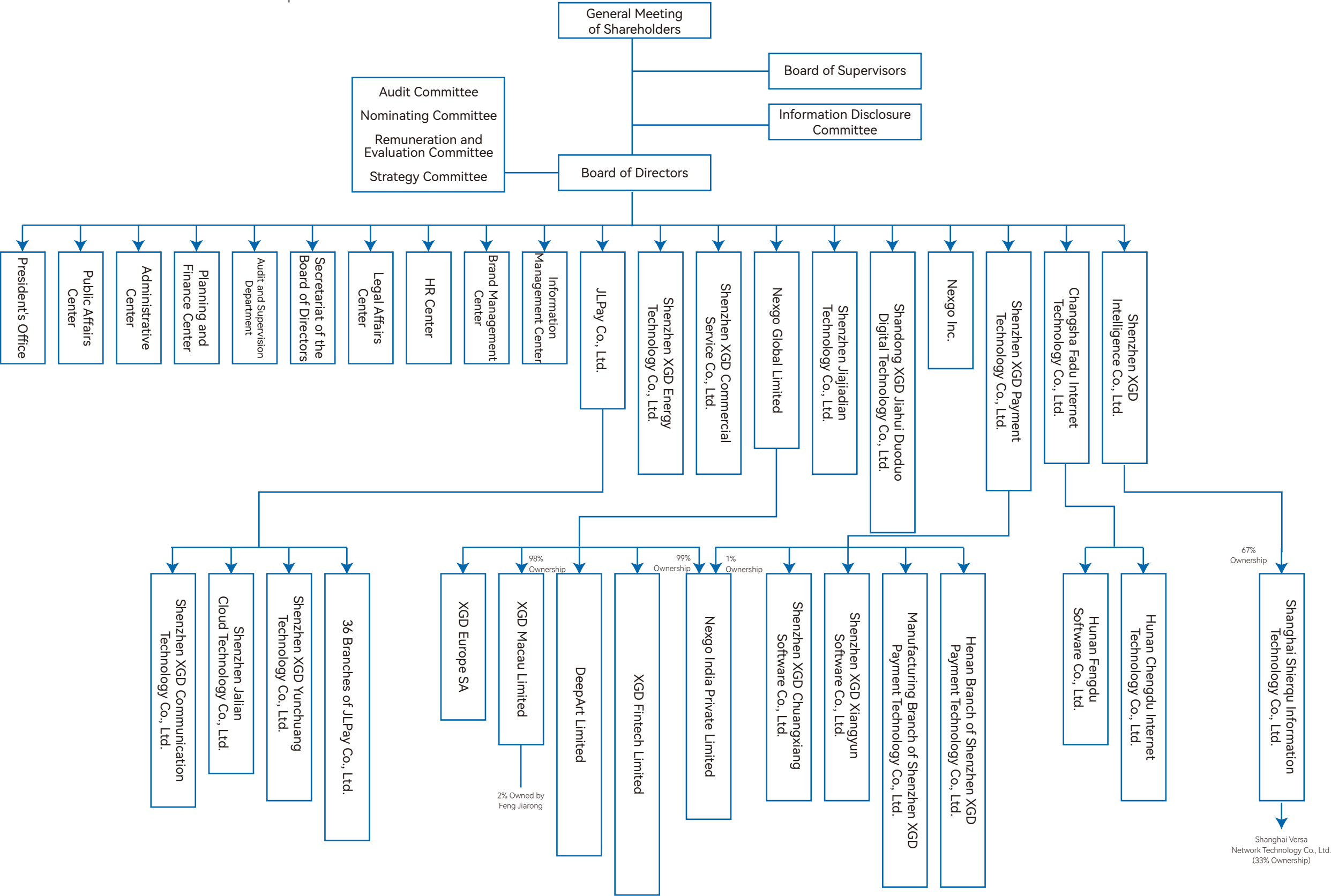


# Company Operations Distribution



# Company Organizational Structure

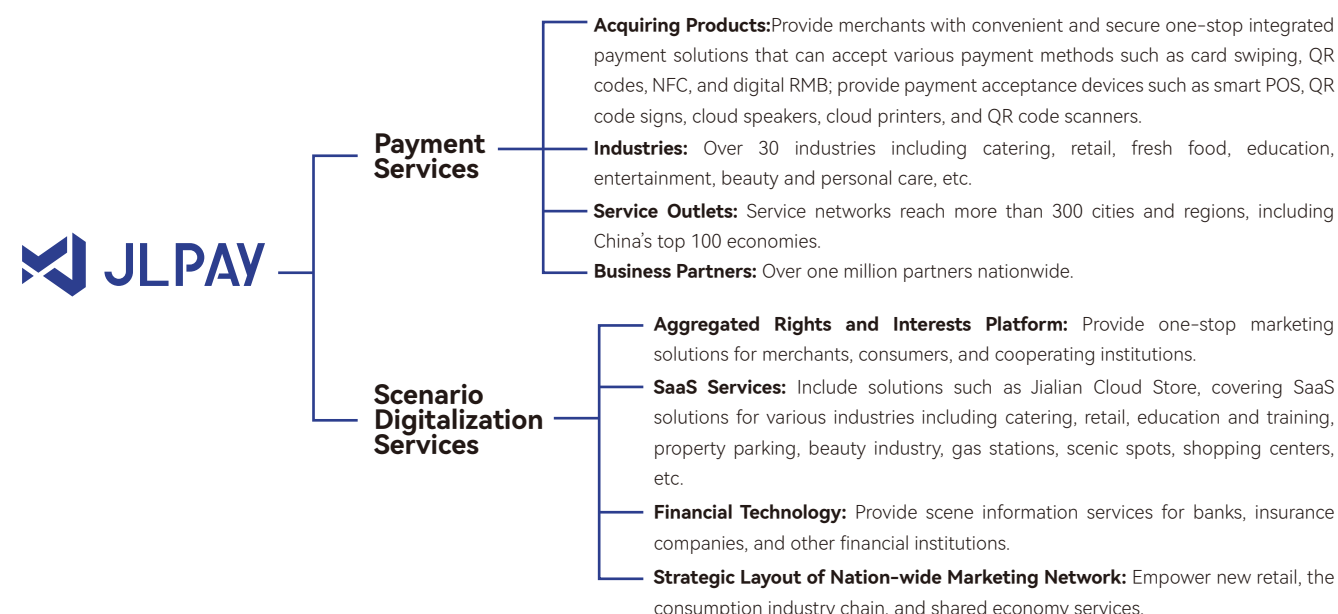
XGD has established a relatively flat and systematic organizational structure. Currently, under the leadership of the board of directors, the Company's management team is composed of senior executives. The Company has 10 first-tier subsidiaries and 10 departments.



# Company's Main Products and Services

## Payment Services and Scenario Digitization Services

The Company's wholly-owned subsidiary JLPay is a third-party payment institution with a nationwide bank card acquiring business license. JLPay mainly provides convenient payment and settlement services to clients of different industries and sizes. Through the "Payment + Operation" service system, it fully integrates into merchant operating scenarios with payment as the entry point. Based on the characteristics of different industries, it provides clients with one-stop services including member management, store management, marketing management, report management, and other value-added services and industry solutions in the SaaS mode, empowering small and medium-sized micro-merchants to operate efficiently and facilitating their digital transformation.



## Electronic Payment Devices

The Company's wholly-owned subsidiary XGD Payment mainly focuses on the production, research and development, sales, and leasing of software and hardware for electronic payment acceptance terminal devices, primarily financial POS machines, providing clients with comprehensive solutions based on electronic payments. Electronic payment acceptance terminals are the physical foundation for electronic payments and serve as the terminal medium for fund and information exchange among consumers, merchants, and payment institutions.

The Company's main electronic payment devices include POS machines (smart POS, mobile POS, QR code POS terminals, face recognition payment terminals, desktop POS, MPOS, and new payment terminals), PIN pads, and external devices. Their application fields mainly cover catering, hotels, retail, transportation, logistics, banking, and healthcare industries. These can be developed into specialized and innovative products and devices that better meet industry needs by incorporating industry characteristics.

## Audit Service Business

The Company's wholly-owned subsidiary Changsha Fadu provides clients with comprehensive audit services in multiple dimensions, specializing in audit and certification services, operational content and business audit services. It initiates a diversified certification and audit model, providing clients with comprehensive solutions based on big data technology for enterprise identity verification and operational business audits, and outputting information systems and technology value-added services based on this.



## Innovative Businesses

### Artificial Intelligence Business

The Company continues to increase its investment in the field of artificial intelligence, constantly improving its business layout and actively exploring application scenarios for AI technology to empower the Company's businesses. Its equity subsidiary has successfully launched multiple popular applications in overseas markets, achieving significant commercialization results and driving year-on-year growth in the Company's investment income. The Company has also jointly invested with Shanghai Versa Network Technology Co., Ltd. to establish Shanghai Shierqu Information Technology Co., Ltd., forming an AI research team to develop General Purpose AI Agent technology, develop multimodal AI products, and explore various solutions for AI technology to empower enterprises and merchants to operate efficiently.



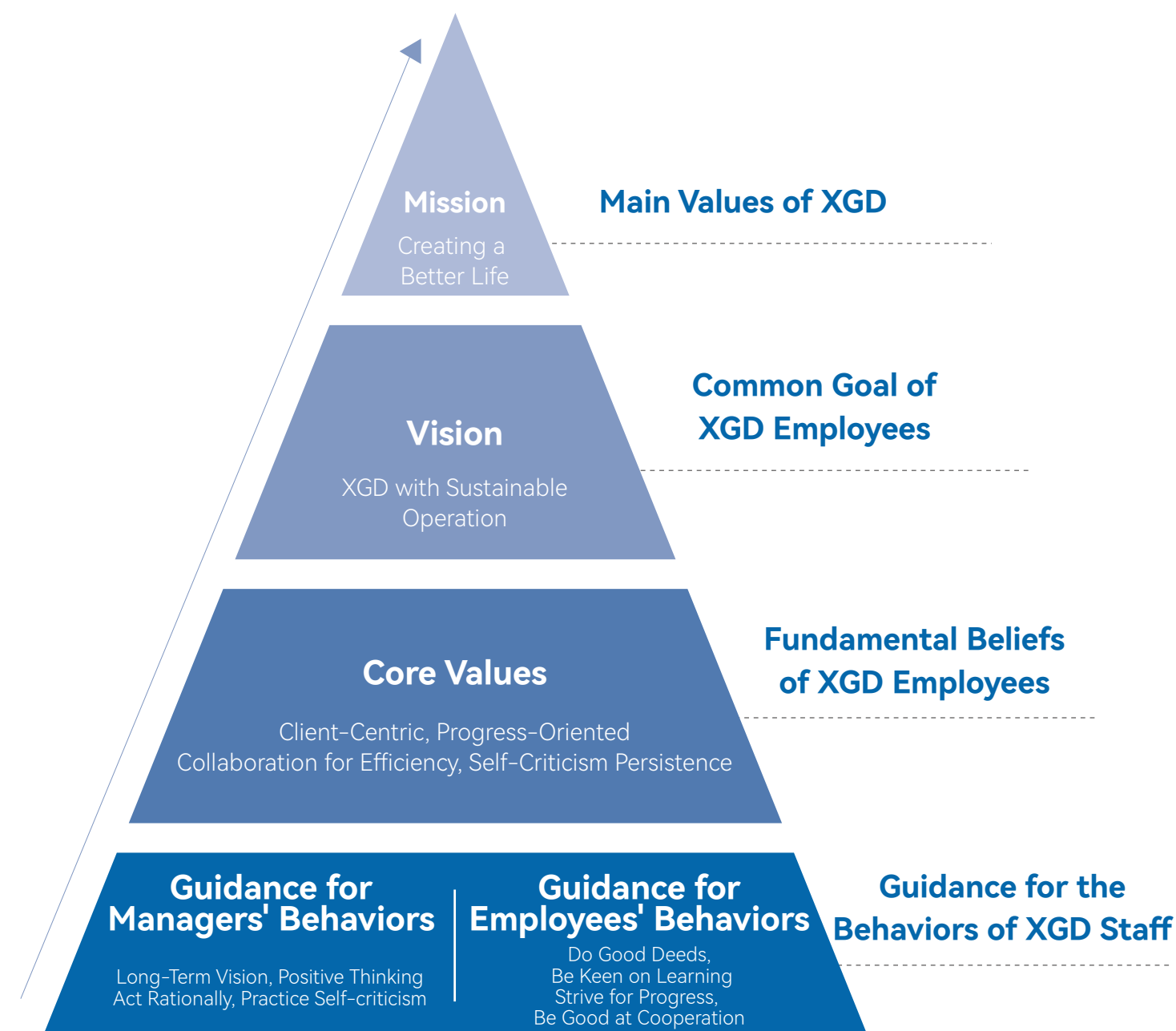
### Digital RMB

The Company focuses on research and innovation in the field of electronic payment technology. Against the backdrop of the steady progress of the national digital RMB research and pilot work, the Company actively promotes cooperation with banking institutions in digital RMB operating activities and technical services. Currently, the Company has completed preliminary technical joint debugging and system testing with some institutions and cooperated with banking institutions to further assist merchants in terminal acceptance device upgrades, digital RMB acceptance scenario implementation, and other promotional services.

These services have already been applied in multiple offline consumption scenarios. Meanwhile, the Company's payment hardware products fully support digital RMB acceptance functions and have completed the product design and technical development of digital RMB "hard wallets". The Company has established the XGD Digital Currency Application Laboratory in Suzhou, focusing on research in areas such as digital currency terminal device manufacturing and related system upgrades, to accelerate the improvement of the ecological environment for digital RMB acceptance. Currently, the Company has carried out full-scenario design for the digital RMB innovation demonstration park, achieving park-level pilot testing and application of digital RMB to facilitate the promotion of digital RMB.

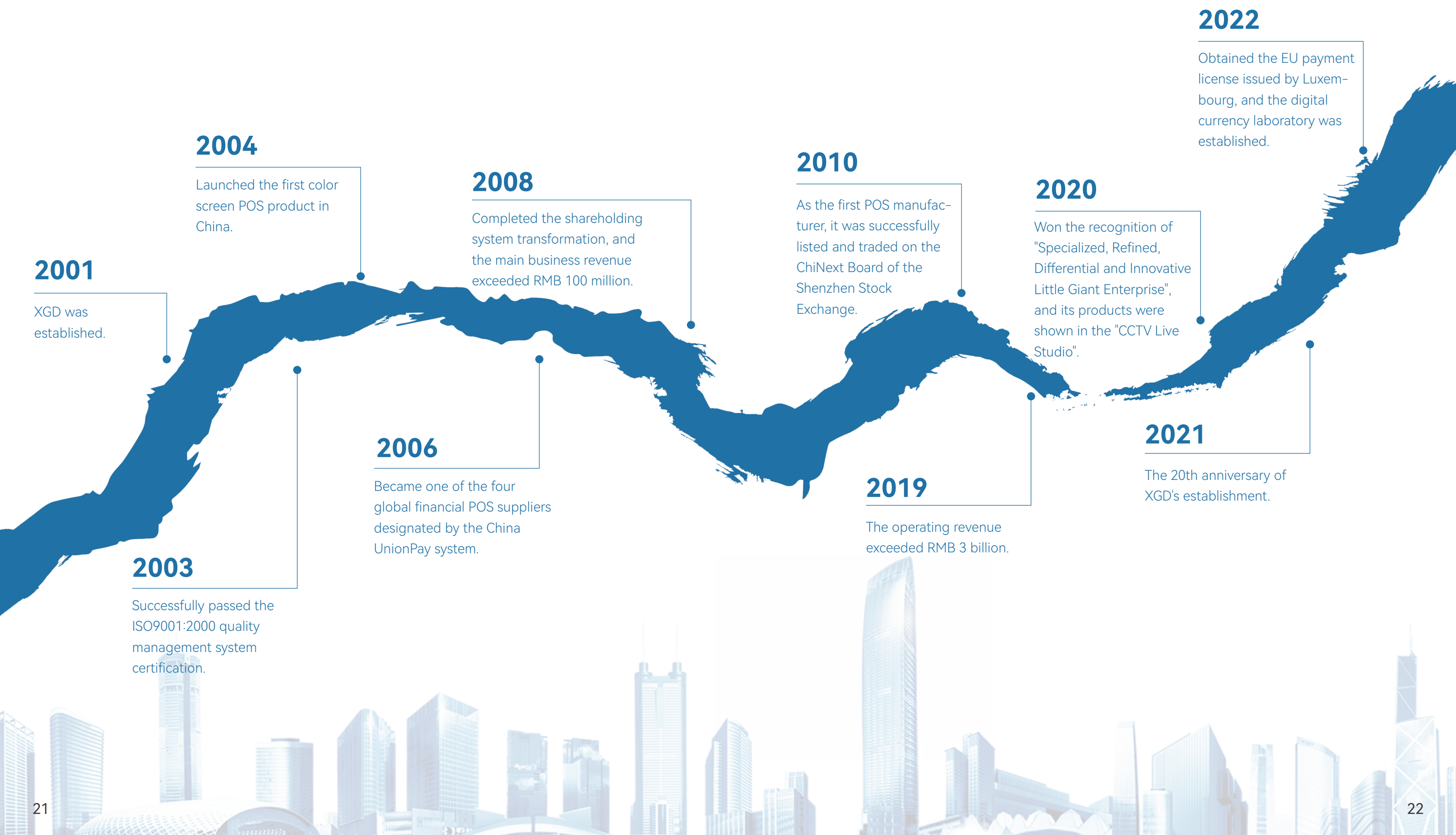


## Corporate Culture



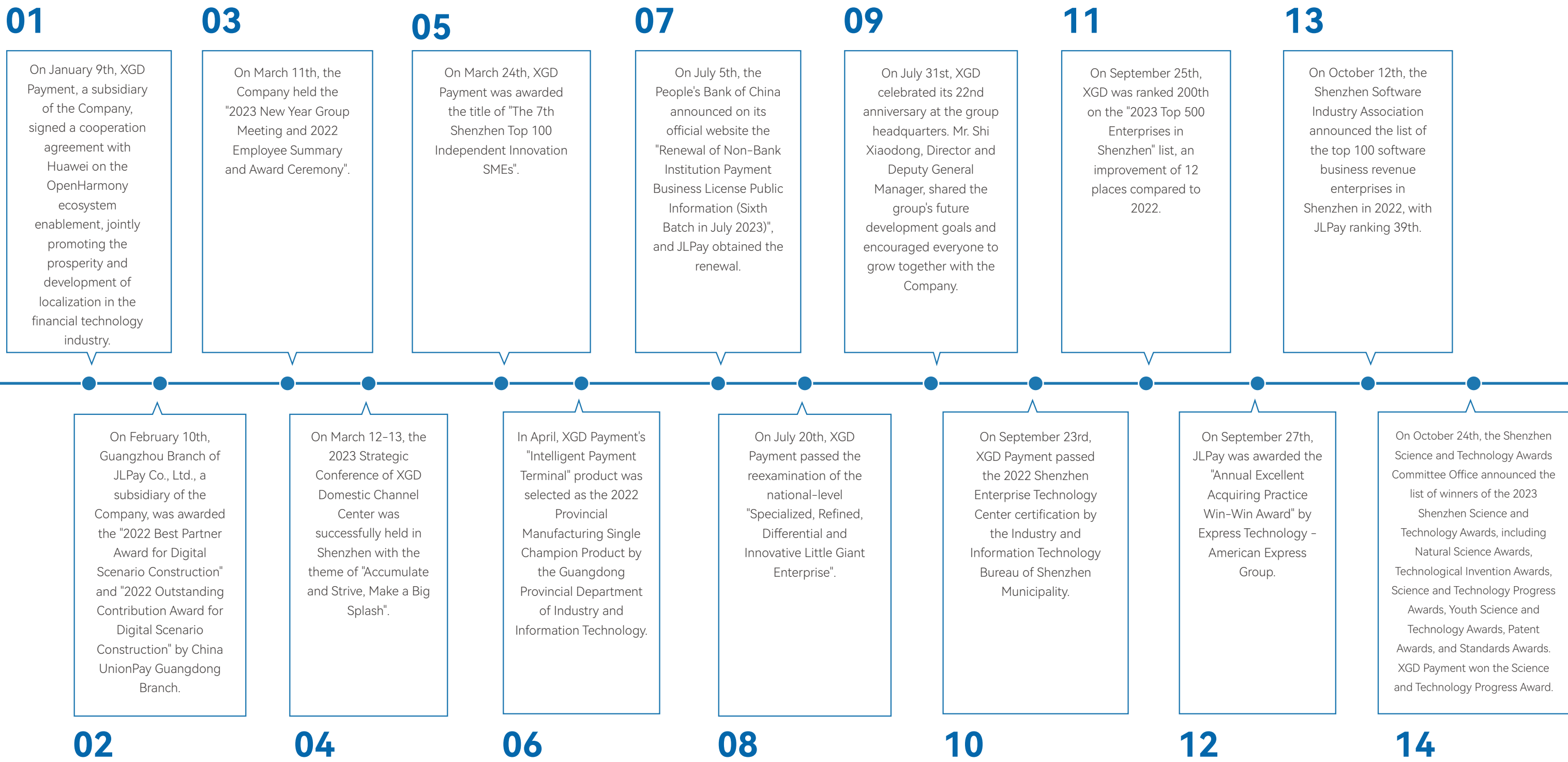
**Core values guide behaviors and then support the realization of the vision.**  
**The behavior guidance interprets and practices the core values.**

# Company Milestones

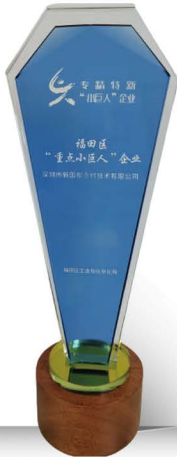
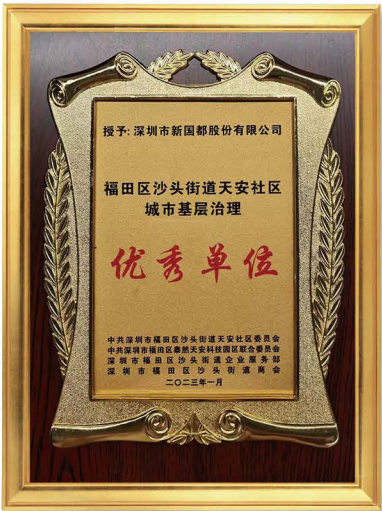




Since 2023



Company Honors and Qualifications



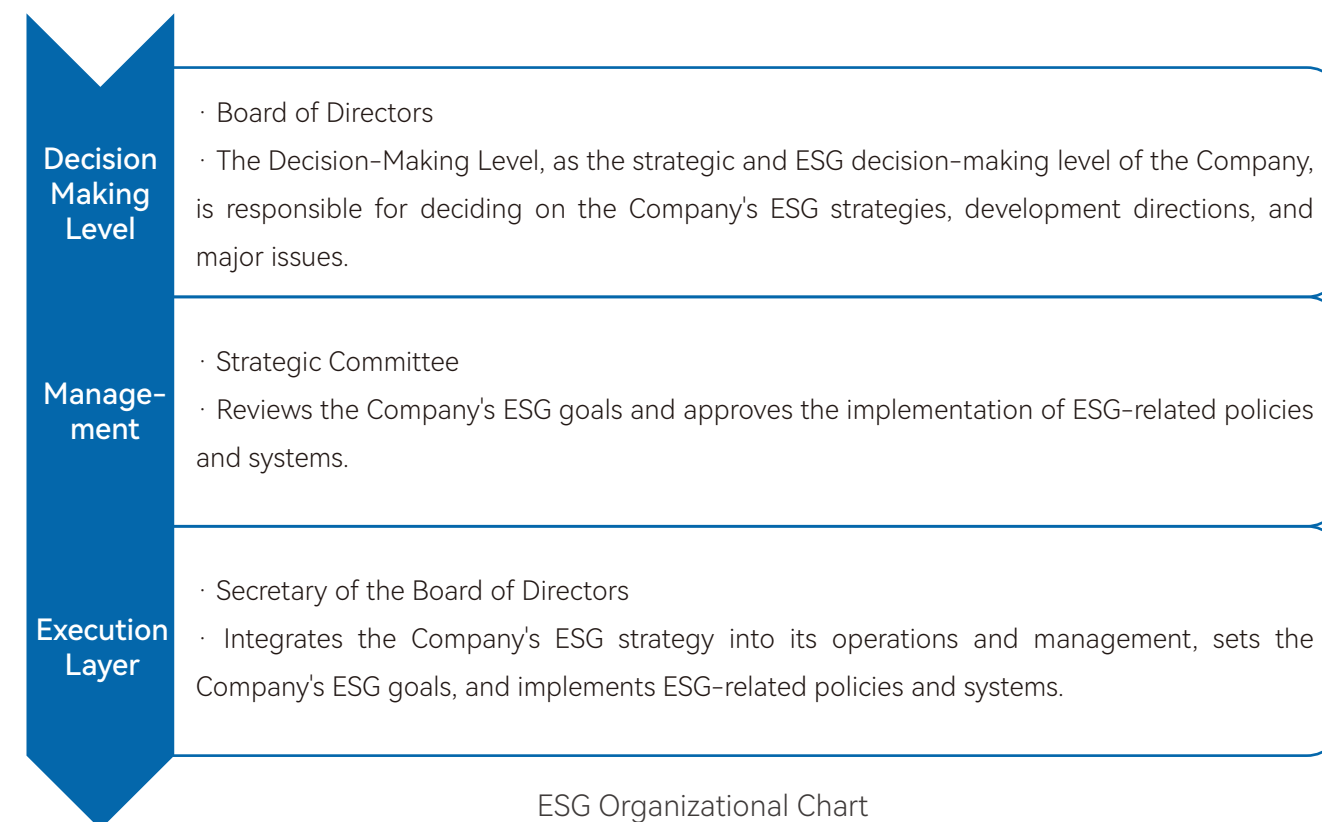
## About ESG

### ESG Strategy

XGD attaches great importance to establishing and improving the ESG governance system and working mechanisms. The Company actively promotes the upgrading of new payment methods and the implementation of key tasks such as scenario-based digital services, fostering the organic integration of the ESG concept into the Company's long-term development strategy. This ensures that ESG principles permeate the entire process of enterprise decision-making, management, and operations, as well as the entire industrial chain.

### ESG Organization

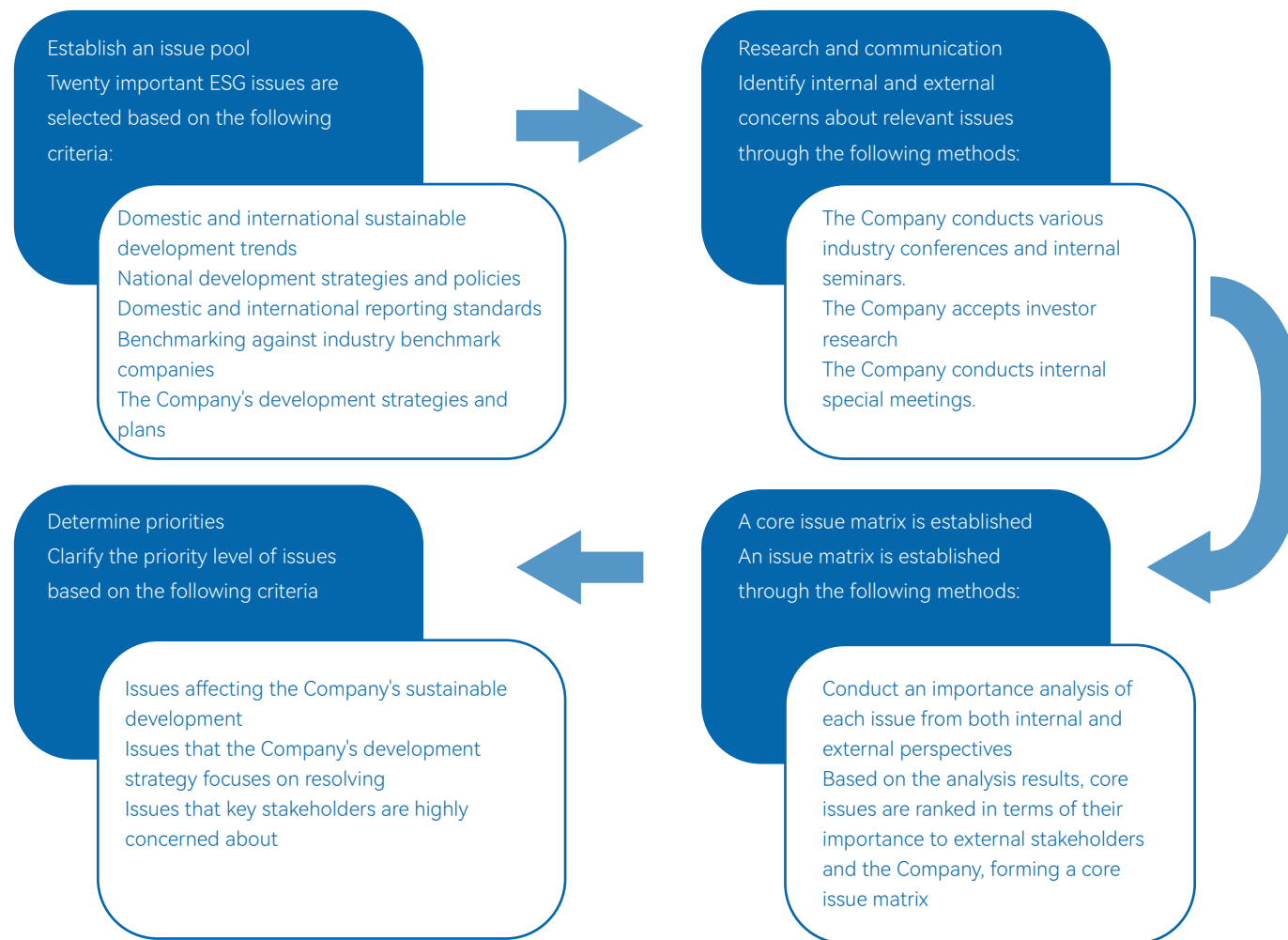
To effectively implement and advance ESG initiatives within the Company, XGD has gradually established and improved an ESG management communication and coordination mechanism. The Board of Directors serves as the decision-making level for the Company's ESG efforts, responsible for reviewing major issues and deciding on the Company's ESG strategies, goals, and development directions. The Strategic Committee acts as the management level for ESG work, responsible for researching, reviewing ESG goals, strategies, policies, and initiatives. The Secretary of the Board of Directors, as the leading department for ESG work, sets ESG goals, executes relevant policies and systems, and specifically promotes the implementation of the Company's annual ESG work. Relevant functional departments and subordinate enterprises, based on the characteristics of different subdivided industries, formulate corresponding work goals and execution plans, implement the Company's ESG strategy, and actively maintain communication with internal and external stakeholders.



### ESG Issues

To enhance the relevance and responsiveness of the report's content and ensure the scientific and efficient identification and determination of ESG issues, covering the key concerns and basic demands of internal and external stakeholders, XGD continuously advances the management of key ESG issues. During the report preparation process, by studying the development of domestic and international payment enterprises and industries, combining the Company's annual work priorities, and conducting various special meetings, research, and communication, XGD selects ESG issues that are highly concerned by internal and external stakeholders and closely related to XGD, making them the focus of the report's information disclosure.





ESG Issue Analysis Matrix

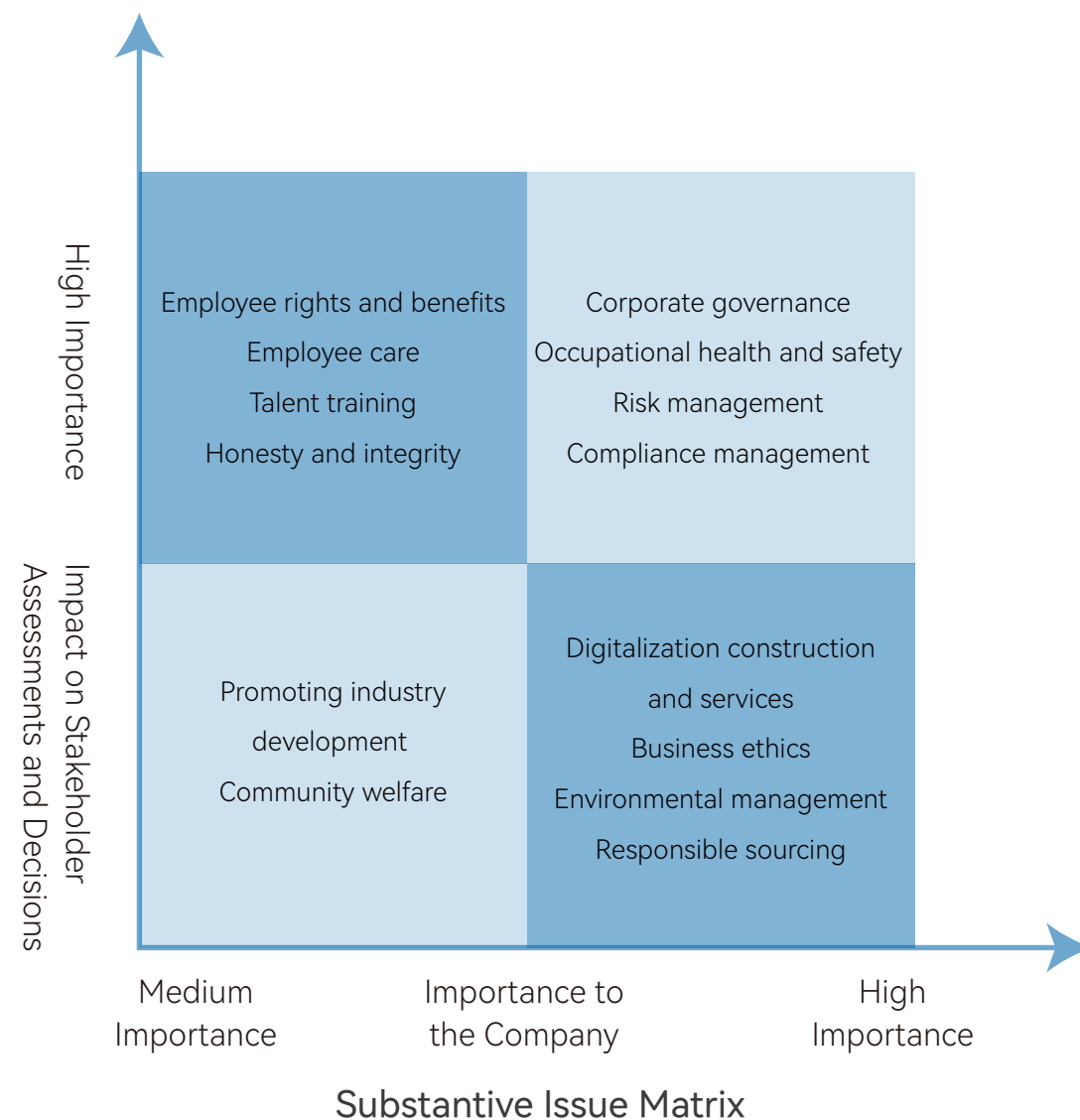
## Stakeholder Communication

The Company highly values communication and exchange with internal and external stakeholders, engaging in dialogue through multiple channels to deeply understand the demands and expectations of various stakeholders. It incorporates stakeholder-focused issues into the Company's operations and decision-making processes, enhancing its operational management and sustainable development capabilities.

Stakeholders	Issues of Concern	Communication and Response
Investors	Economic performance Corporate governance Risk management	Information disclosure Performance roadshows Regular and daily communication with investors Official website and investor hotline Strengthening compliance and internal control systems
Government and Regulatory Departments	Compliant operations Business ethics Party and government building Steady business growth	Compliance with laws and regulations in the place of operation Special meetings Honest operations, paying taxes according to the law Strengthening party discipline and anti-corruption efforts Accepting supervision and inspection
Employees	Employee rights and benefits Talent development Occupational health and safety Employee care	Labor union/employee representative conference Employee training Employee activities Occupational health and safety management
Supplier	Responsible procurement Honesty, and integrity	Open and transparent procurement principles and processes Supplier communication and training Engaging in responsible procurement
Clients	Business environment Digitalization construction and services	Smooth feedback channels Strengthening digitization and innovation
Partners	Driving Development of the Industry	Conducting strategic cooperation Participating in industry forums and conferences University-enterprise cooperation
Community	Community Welfare	Community welfare activities Rural revitalization

## Substantive Issue Analysis

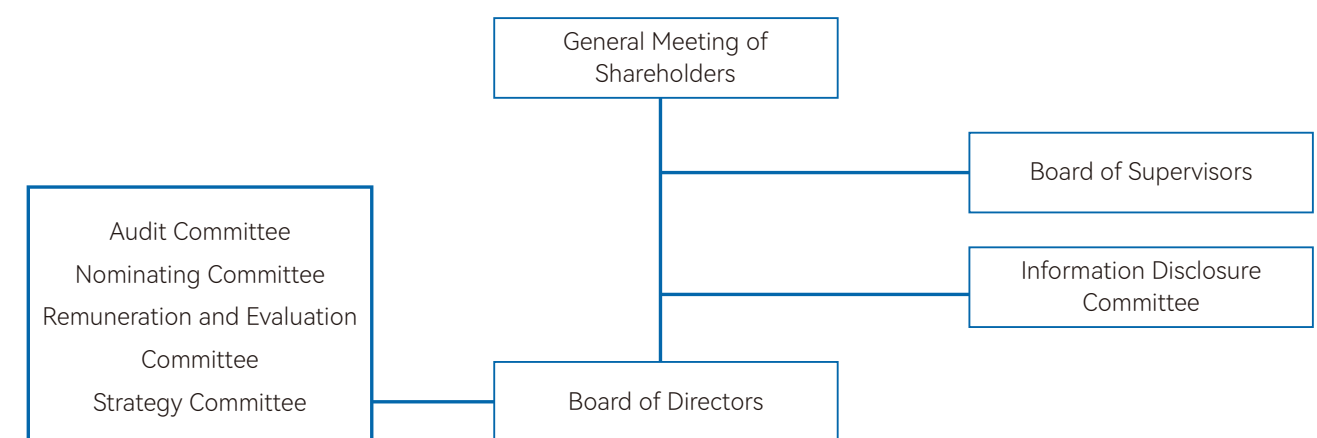
Through stakeholder research and interviews, combined with stakeholder concerns and expert opinions, the Company identifies material issues of importance to both the Company and stakeholders. These issues are disclosed and addressed in the report based on their level of importance.



## Robust Corporate Governance

### Optimizing Governance Structure

The Company has established a governance structure comprising the general meeting of shareholders, board of directors, board of supervisors, and senior management in strict accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidelines for the Articles of Association of Listed Companies, and relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange. It has formulated rules and regulations such as Rules of Procedure for the General Meeting of Shareholders, Rules of Procedure for the Board of Directors, and Rules of Procedure for the Board of Supervisors, strictly ensuring the effectiveness of corporate governance.



The Company has established a standardized and orderly corporate governance structure comprising the general meeting of shareholders, board of supervisors, board of directors and its specialized committees, and relevant functional departments. The board of directors is responsible for establishing, improving, and effectively implementing internal control; the board of supervisors oversees the establishment and implementation of internal control by the board of directors; and the general manager and management are responsible for organizing and leading the daily operation of internal control within the Company. The Company's decision-making body, supervisory body, authority body, and senior management have clear rights and responsibilities, forming a good operational mechanism of self-development and self-constraint.

During the reporting period, the Company completed the election for the sixth term of the board of directors and the sixth term of the board of supervisors. Through nomination by the nomination committee and review by the fifth board of directors, and after cumulative voting and approval at the 2022 annual general meeting, the sixth board of directors consists of a total of eight members, including three independent directors. Through election by the staff congress and approval by the general meeting of shareholders, the sixth board of supervisors consists of a total of three members, including two staff representative supervisors.

The board of directors has established a strategy committee, nomination committee, audit committee, and remuneration and appraisal committee, forming a governance structure with clear rights and responsibilities, effective checks and balances, scientific decision-making, and coordinated operation, promoting efficient and standardized operation of the Company. The directors work strictly in accordance with rules and regulations such as Rules of Procedure for the Board of Directors and Rules for Independent Directors of Listed Companies, proceeding from the interests of the Company and all shareholders to ensure the effective operation and scientific decision-making of the board of directors. The board of directors consists of a total of eight directors, including three independent directors accounting for 37.5%, one director with a PhD accounting for 12.5%, five directors with master's degrees accounting for 62.5%, and two directors with bachelor's degrees accounting for 25%. To improve the decision-making level of the board of directors and increase its diversity and variability, besides senior management involved in corporate decision-making, the Company also employs

external directors with professional knowledge and work backgrounds in legal services, financial work, economic development, and other aspects, creating comprehensive expertise and knowledge. A diversified knowledge structure has been formed.

XGD adheres to the policy of board diversity, with nominations and appointments comprehensively considering various factors, including educational background and professional experience. Independent Director Mr. Yang Xiaoping holds a master's degree in accounting, is a certified public accountant, senior accountant, senior auditor, and partner at Shenzhen YXGJ Accounting Firm (Special General Partnership). With many years of financial work experience, he currently serves as an independent director on three listed companies and as chairman of the audit committee of the Company. Independent Director Mr. Qu Jian holds a PhD in economics and serves as deputy director of the China Development Institute and an expert member of the Advisory Committee on Economic and Trade Policies of the Ministry of Commerce of China. He currently serves as a member of the nomination committee of the Company. Independent Director Mr. Chen Jinglin holds a master's degree and serves as a senior partner at China Commercial Law Office. He currently serves as an independent director on two listed companies and as chairman of the remuneration and appraisal committee of the Company.

The Company elects supervisors in strict accordance with the selection and appointment procedures stipulated in the Company Law and the Articles of Association, and the number and composition of the board of supervisors comply with legal and regulatory requirements. The supervisors of the Company, in the attitude of being responsible for all shareholders, exercise their supervisory and urging functions in a practical manner, supervise the performance of duties by the directors, managers, and other senior management personnel of the Company, inspect the Company's financial situation, express opinions on relevant major matters, and safeguard the legitimate rights and interests of the Company and shareholders.

During the reporting period, the general meetings of shareholders of the Company were convened, held, and voted on in strict accordance with the requirements of relevant laws and regulations, treating all investors equally and enabling them to fully exercise their rights, thus effectively guaranteeing the rights and interests of minority shareholders.

Meeting Name	Number of Meetings	Number of Resolutions Approved
Board of Directors	7 times	43 items
Board of Directors Audit Committee	3 times	14 items
Board of Directors Nomination Committee	2 times	3 items
Board of Directors Compensation Committee	5 times	8 items
Board of Supervisors	5 times	25 items
General Meeting of Shareholders	2 times	26 items

Compliance Information Disclosure

In accordance with the Measures for the Administration of Information Disclosure by Listed Companies and the Rules for the Listing of Shares on the ChiNext Board of Shenzhen Stock Exchange, among other relevant regulations, the Company has formulated the Information Disclosure System to ensure the true, accurate, complete, timely, and fair disclosure of all major information, ensuring that all shareholders have equal access to information and safeguarding the legitimate rights and interests of investors. During the reporting period, the Company strictly followed the requirements of relevant laws and regulations and issued a total of 117 announcements through the information disclosure website for the ChiNext board designated by the China Securities Regulatory Commission, including four periodic reports and 113 temporary announcements.

The compliance and effectiveness of information disclosure not only relate to the standardized operation of the Company but also affect its market impression. To better meet the information demands of investors, on the basis of meeting compliance requirements, the Company voluntarily discloses announcements such as the establishment of subsidiaries,

organizational structure adjustments, and semi-annual performance forecasts.

At the time of periodic report disclosure, the Company designs long infographics in the form of "One Chart to Understand" to convey the Company's main financial data and business conditions, facilitating investors to quickly obtain information, enhancing information dissemination, and disclosing information from the investors' perspective while adhering to compliance.

Investor Relationship Management

In accordance with the Company Law, Securities Law, and other relevant laws and regulations, combined with the Company's actual situation, the Company has formulated the Investor Relations Management System to strengthen information communication between the Company and investors, effectively protect investors' interests, and promote the sound development of relations between the Company and investors.

The Company communicates with investors through channels such as the Company website, investor hotlines, email, and the investor relations interactive platform, and through methods such as general meetings of shareholders, investor presentations, performance presentations, and hosting visits. In 2023, the Company held one performance presentation and participated in one investor collective reception day event. After the investor relations activities, it compiled investor relations activity record forms and promptly published them on the designated information disclosure website.

The Company attaches great importance to reasonable investment returns for investors and implements a continuous and stable profit distribution policy. During the reporting period, the Company's 2022 equity distribution policy was: based on the total share capital on the equity registration date when the profit distribution plan is implemented, a cash dividend of RMB 2.30 (including tax) per 10 shares should be paid to all shareholders.



Meanwhile, the Company highly values investor relations management, establishes an investor relations management department, and conducts investor relations management through multiple channels, platforms, and methods, maintaining interaction and communication with investors and related institutions. In 2023, the Company responded to a total of 78 user inquiries on the Interactive Easy platform. A dedicated person is responsible for answering investors' hotline calls. The official website (www.xgd.com) has opened an "Investor Education" column, uploading investor protection work reports, violation cases published by the China Securities Regulatory Commission, and other content to raise investors' risk awareness, continuously provide services to investors, and effectively safeguard investors' right to know. In 2023, the Company received the 14th China Listed Companies Investor Relations Tianma Award for Investor Relations New Media from Securities Times.



## Adhering to Risk Control Standards

To ensure the Company's stable operation, XGD INC. continuously improves its risk management and internal control systems by formulating documents such as the "Internal Audit Standards" and the "Basic Standards for Enterprise Internal Control". The Board of Directors serves as the highest decision-making and leadership body for the Company's risk management and internal control work. Under the Board, there is an Audit Committee, which has a subordinate Audit and Supervision Department. According to laws, regulations, and the Company's actual situation, the Audit and Supervision Department conducts independent and objective supervision and evaluation within the Company to prevent risks in its operation and management.



During the reporting period, the Company comprehensively reviewed all its systems based on the latest laws and regulations and revised 29 documents, including the "Working Rules of the Board Audit Committee", the "System for Preventing Controlling Shareholders and Related Parties from Occupying Company Funds", and the "Internal Reporting and Confidentiality System for Major Information". These efforts comprehensively improved the Company's internal control system and further enhanced its risk management and control quality and capabilities.

Based on regulations and guidelines such as the "Internal Audit Standards", the "Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 2 – Standardized Operations of GEM Listed Companies", and the "Basic Standards for Enterprise Internal Control", combined with the Company's actual situation, the Audit and Supervision Department conducted independent and objective supervision and evaluation within the Company. It completed special audits of monetary funds for each quarter of 2023, assisted the finance department in reviewing financial report content, and carried out eight types of audit projects, including procurement, operations, assets, reserve funds, monetary funds, accounts receivable, internal control, and related party transactions. A total of 54 audit issues were disclosed, including 16 related to internal control and process issues, and 38 belonging to management and execution issues. This directly recovered economic losses due to omissions and miscalculations totaling RMB 2.337 million.

In 2023, the Company had no significant or important deficiencies in its financial reporting and non-financial reporting internal controls. Compliance remained stable overall, with no major violations of laws and regulations. In the future, the Company will continue to improve its risk management and control system by employing various systems and processes to manage operational risks. It will adhere to standardized operations, optimize governance, and control risks, with an emphasis on implementing related responsibilities. This will ensure the integrity, compliance, effectiveness, and feasibility of the Company's internal control system, achieving the goal of compliant and healthy operations.

Committed to Anti-Corruption

The Audit and Supervision Department of XGD INC. is responsible for enforcing business ethics and anti-corruption practices, regularly reporting work content and anti-corruption achievements to the Board of Directors. The Company strictly follows the laws and regulations related to anti-corruption in the countries or regions where it operates. It has formulated institutional documents such as the "Integrity Management Standards" and the "XGD Group Conflict of Interest Management Standards", covering all employees and supplier clients. This continuously enhances the Company's management practices in anti-corruption.

In 2023, to further strengthen employees' self-discipline and legal awareness and create a healthy and honest corporate culture, the Audit and Supervision Department and the Party General Branch of XGD INC. successively organized a series of activities, including "Interesting Activities on the Theme of Integrity", "Shooting a Micro-film on Integrity – The Invisible Trap", "Holding an Anti-fraud Alliance & XGD Integrity and Compliance Exchange Meeting", "Inviting the Nanshan Economic Crime Investigation Team to XGD to Promote Integrity Culture", and "Oath of Self-discipline for Management Cadres". A survey on the integrity index collected internally showed that the Company's overall integrity situation is good.

Activity Name	Number of Events	Number of Participants
Integrity Training for Management and Key Positions	1 event	115 participants
Prison Visit for Management and Key Positions	1 event	99 participants
Interesting Activities During Integrity Culture Month	1 event	340 participants
Integrity Training Course for New Employees	8 courses	174 participants





Additionally, the Company has established a whistleblowing management system with multiple reporting channels such as email and phone. It prioritizes the confidentiality of whistleblowers, strictly keeps the personal information of whistleblowers and all reporting materials confidential, and fully protects the legitimate rights and interests of whistleblowers. Upon receiving whistleblowing information, the Audit and Supervision Department registers the alleged wrongdoer's name, the reasons for the report, the reporting method, and the time of receipt, filling out the "Detailed Whistleblowing Information Record Form". After preliminary verification, the Department fills out the "Investigation and Case Filing Approval Form", conducts an investigation after approval, and issues an investigation report. For violations of regulations, discipline, and law, the Department handles the cases according to the Company's relevant systems and national laws.

Simultaneously, the Company requires all cooperating suppliers to sign the "Integrity and Honesty Commitment for Partners", actively building an honest and fair competition mechanism, firmly opposing unfair competition, adhering to business ethics, ensuring compliant competition, and contributing to the sustainable development of the industry.

## Adhering to Party Building Leadership

During the reporting period, the Company adhered to the leadership of the Party, strengthened Party building, and took Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide. It continuously enhanced the "Four Consciousnesses", strengthened the "Four-Sphere Confidence", resolutely achieved the "Two Upholds", firmly upheld the "Two Establishments", and comprehensively implemented the spirit of the 20th National Congress of the Communist Party of China, the spirit of the Central Economic Work Conference, and other important decisions and deployments from superiors.



The Company actively promoted the deep integration of Party building and production and operation work.

The Party General Branch of XGD INC. continuously carried out various educational and public welfare activities, vigorously promoting the spiritual civilization construction of the enterprise. In 2023, to implement the decisions and deployments of the Party Central Committee and the State Council on combating and governing telecommunication network fraud, enhance the public's awareness and ability to prevent and combat fraud, and effectively promote the "Telecom Network Anti-Fraud Law", and on the special occasion of the 102nd anniversary of the founding of the Party, the Party General Branch of XGD INC. initiated a blood donation activity with the theme of "Gathering Youth's Positive Energy and Transmitting Love Through Blood Donation". Employees actively signed up and demonstrated their dedication through practical actions.

XGD INC. established a Party General Branch according to the Constitution of the Communist Party of China, with a total of 89 Party members. In 2023, in accordance with the deployment requirements of the Party Central Committee, provincial, municipal, and district committees regarding the thematic education on studying and implementing Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, combined with the actual situation of the Tairan Industrial Park Joint Party Committee, the Party General Branch of XGD INC. held weekly thematic education learning sessions. Party members shared their learning experiences, and the Party General Branch selected outstanding Party members for thematic ideological education based on their attendance and learning experiences. Simultaneously, the Party General Branch launched the "Strengthening the Country with You, Learn and Get Rewards" incentive activity for Party members of the Company. Quarterly, semi-annual, and annual rewards were given to outstanding Party members with high learning points. These activities enhanced the learning enthusiasm of Party members and laid a solid foundation for the Party General Branch of XGD INC. to build a learning-oriented Party organization.



## Green Production and Development

### Environmental Management System

XGD fully understands the importance of environmental and ecological protection, strictly complies with relevant laws and regulations, and establishes and implements an environmental management system that aligns with the Company's environmental impact factors.

#### Improving the Environmental Protection System

XGD continuously revises and forms a distinctive environmental protection system to ensure compliance with national laws, regulations, and standards. The Company has formulated internal regulations such as the "Environmental Factors and Hazard Control Procedures", "Environmental Factors and Hazard Evaluation Regulations", "Environmental Safety Objectives, Indicators, and Program Management Procedures", "Environmental and Safety Monitoring and Measurement Control Procedures", and "Waste Classification and Disposal Schedule". It regards environmental and safety management as one of the important codes of conduct for business operations and production, improving the long-term mechanism for environmental protection.

#### Environmental Management System Certification

XGD actively refers to international and domestic environmental management system standards to establish and improve an independent environmental management mechanism.

The Company has obtained ISO140001 Environmental Management System certification and strictly follows the ISO140001 standard to identify relevant regulations and make corresponding investments in environmental protection.



### Environmental Emergency Management

The Company's office areas are equipped with corresponding fire-fighting facilities (including fire extinguishers, fire hydrants, sprinkler systems, automatic alarm systems, emergency lighting, emergency evacuation signs, etc.) in accordance with laws, regulations, and other relevant requirements, and regular inspections are conducted. The Company has formulated a comprehensive emergency response plan and regularly holds fire drills annually to enhance the fire safety awareness of all employees and test the ability of various emergency response teams to handle emergencies. By promoting various work safety measures, the Company maximizes the protection of the lives and property of its personnel.

# Implementing Energy Conservation and Emission Reduction

In the context of global climate governance, energy conservation and emission reduction, as well as carbon emission reduction, have become the general trend. XGD proactively addresses climate change and actively takes actions to respond to international and domestic requirements. With a positive and open mindset, it embraces the trend of low-carbon development in the industry, strives to build a green environmental management system across the entire industry chain, and actively becomes a practitioner, promoter, and contributor to green development, driving the realization of sustainable development.

The Board of Directors oversees the management and progress of climate change issues. The Board's Strategic Committee, as the ESG management organization, leads the carbon peaking and carbon neutrality working group responsible for researching relevant strategies and action plans, establishing and supervising relevant rules and regulations. The working group has established green office management processes and measures for electricity and energy conservation by studying international accounting standards for greenhouse gases and exploring energy conservation and emission reduction pathways suitable for the Company. In business development, it focuses on providing low-carbon solutions and scenarios for the industry, striving to promote its own operations and upstream and downstream of the industry chain to jointly explore and support low-carbon development.

The Company has established and strictly enforces the "Waste Management Procedures", "Environmental and Safety Monitoring and Measurement Control Procedures", "Environmental Factors and Hazard Evaluation Regulations", "Emergency Preparedness and Response Control Procedures", and "Chemicals and Hazardous Materials Management Procedures". Specific implementations are as follows:

## Green Production

In the manufacturing process of its electronic payment device products, the Company follows the principle of environmental friendliness, strictly controls the toxic and harmful chemical substances contained in products and consumables, and actively adopts new materials, new processes, and other technical means to ensure that the products do not contain highly hazardous chemical elements during the production process. It minimizes or prevents the use of hazardous chemicals, and products and services are within safe levels throughout all processes and stages of production, maintaining clean production throughout. All products produced by the Company meet RoHS testing requirements.

## Resource Conservation

The Company conserves resources such as water, electricity, and paper, and manages them as part of its environmental management plan. It establishes and implements management systems for identifying, measuring, monitoring, recording, and reporting the development, utilization, storage, treatment, recycling, or reuse of various resources, and obtains recognized certification for relevant management systems or labels. The Company adopts green design for its products, using environmentally friendly materials as much as possible in the procurement and manufacturing processes, streamlining packaging, and avoiding excessive packaging.

## Environmental Factor Evaluation

The Company evaluates the environmental factors involved in production from four categories: resource/energy utilization, pollutant emissions, accidents, and design and development, with hazards evaluated separately. Among them, resource/energy utilization is scored and evaluated based on both cost and utilization, while pollutant emissions are comprehensively evaluated based on multiple factors such as the frequency of environmental impact, hazard level, and the degree of concern of interested parties. The scoring process and scores are recorded to provide a basis for the implementation of the environmental management system and occupational health and safety management system. Since its establishment, the Company has not experienced any environmental pollution accidents, and neither the Company nor its subsidiaries have received administrative penalties due to environmental issues.

## Waste Management

The Company's Asset Management Department has formulated the "Fixed Asset Management Measures", following the principle of green circulation for the procurement and disposal of the Company's fixed assets. By repairing, retrofitting, and recycling electronic products, it extends the life cycle of electronic products, reduces waste, and reduces carbon emissions from purchasing new equipment. For office computers, a combination of purchase and rental principles is adopted. After office computers for research and development positions have been used for a certain period, they are replaced based on needs and IT assessments for use by functional or factory positions. Old office equipment is upgraded and modified before returning to operation or being dismantled and partially recycled. For waste generated in the factory, the waste management procedure is strictly implemented according to the Waste Classification and Disposal Schedule. General waste and hazardous waste are both subdivided into recyclable and non-recyclable categories, stored separately, and regularly cleared. The relevant person in charge transfers them to the Shenzhen Hazardous Waste Disposal Center and municipal waste cleaning companies, all of which are properly disposed of.



Efficient Utilization

Establish and implement a management system for identifying, measuring, monitoring, recording, and reporting the purchase, use, storage, disposal, and recycling of various energy sources to improve energy utilization rates.

Emission Reduction and Energy Consumption Lowering

The Company reduces greenhouse gas emissions by improving energy efficiency, changing processes, and replacing fuels, and sets annual targets to reduce water and electricity consumption per unit of product.

Index		Unit	Indicator Description	Values in 2023
Water Usage and Discharge	Purchased Electricity	KWh	Water intake is based on water bills paid	149,9113
	Water Intake	Tonne		10,420
	Wastewater Discharge	Tonne		8,336

Expanding Green Business

The Company and its subsidiaries are engaged in the payment-related industry. The main businesses of its two major subsidiaries, XGD Payment and JLPay, are payment services and scenario digitization services, electronic payment devices, and biometric products. As a technology enterprise, we not only focus on the environmental impact of our own operations and supply chain but also explore and support the development of low-carbon technologies to provide users with more low-carbon lifestyle options and the industry with

more solutions for digital low-carbon transformation.

The Company has always taken "being beneficial to society and others" as the starting point and destination of its business, with electronic payment as the origin, and continuously enhances its core competitiveness through technological innovation. As the pursuit of green and clean development becomes increasingly important, XGD follows market trends and actively promotes the in-depth development of green and low-carbon initiatives, contributing to the sustainable development of the market and industry. With the development of electronic payments and the dissemination of the concept of green payments, green payments have become a component that facilitates society's low-carbon transformation. The use of electronic payments and scenario digitization services reduces the use of paper money and paper bills; it facilitates online member management and marketing management for businesses, reducing paper and resource consumption; the development and use of smart payment terminals and digital RMB terminals provide convenient and stable low-carbon payment methods for related usage scenarios.

Sharing Eco-Friendly Lifestyles

XGD implements eco-friendly ideas both inside and outside the Company, promotes a green office mode, organizes diverse eco-knowledge learning activities, encourages employees to participate in ecological environment protection activities, and jointly establishes a new eco-friendly trend.

## Practicing Green Office Work

XGD actively promotes a low-carbon and environmentally friendly work mode, actively implements digital office work, uses online documents and instant messaging tools for office work, reduces paper use, prefers video conferencing for meetings, conducts eco-training within the Company, and promotes eco-information.

1. Energy-saving actions: Turn off computer power after work, use energy-efficient office equipment, promote paperless office work; turn off air conditioning at designated times.
2. Water-saving actions: Conduct water-saving promotions and use water-saving equipment.
3. Resource conservation: Implement the "Clean Your Plate Campaign" in the Company cafeteria; reduce the use of disposable items; reduce excessive packaging; use recyclable packaging materials.



In 2023, the total wastewater discharge from the Company's office and living areas was

**1,820** tonnes.



Office water consumption was

**2,275** tonnes.

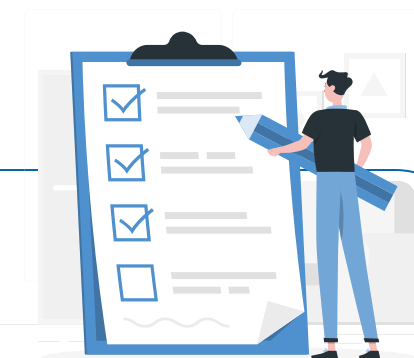


Office waste disposal was

**164** tonnes.

## Conducting Green Public Welfare Activities

XGD is enthusiastic about public welfare causes and emphasizes implementing eco-friendly ideas. It promotes eco-friendliness from top to bottom and actively participates in various green public welfare activities.



### Actively Promoting Environmental Protection

Initiate low-carbon and energy-saving advocacy, promote environmental protection through internal emails.



### Organizing Environmental Protection Activities

Participate in community trash pick-up activities, participate in community-organized energy-saving and emission-reduction activities, use eco-friendly materials for company holiday events.



### Enhancing Environmental Awareness

Organize employees to learn eco-knowledge, organize drills on eco-equipment, etc.

## Client Responsibility

### Intellectual Property Protection

The Company adheres to the principle of "respecting others' intellectual property rights and protecting its own intellectual property rights", using comprehensive intellectual property management to protect its competitive advantage and brand reputation while avoiding infringement of others' intellectual property rights.

The Company mainly adopts the following measures to carry out intellectual property protection:

01

The Company sets up dedicated positions to manage the Company's patents and formulates intellectual property management system documents such as the "Patent Management Measures" and the "R&D Technical Document Management Specifications" to implement full-process standardized management for the creation, management, utilization, and protection of the Company's intellectual property, further improving the Company's project intellectual property management and patent application lifecycle management.

02

During the process of external cooperation, the Company clarifies issues such as the ownership, use, maintenance, and risk response of intellectual property with partners, providing a reliable mechanism for sharing research and development results. The Company includes intellectual property protection clauses in supplier contract signing, covering aspects such as intellectual property ownership, use, and risk prevention and control.

03

The Company actively carries out intellectual property-related rights protection work and provides timely warnings against products that maliciously infringe on the Company's patents and behaviors that maliciously infringe on the Company's patent achievements. The Company's patent department is responsible for conducting relevant investigations, reasonable evidence collection, warnings, and litigation against malicious infringement behaviors to safeguard the Company's legitimate rights and interests.

04

During the reporting period, to enhance employees' awareness of intellectual property protection, the Company organized special training activities such as "Trademark and Patent Usage and Joint Marketing", covering more than 200 people. As a regular intellectual property knowledge-sharing mechanism, the Company's Legal Center regularly compiles and pushes a total of 9 issues of the "Intellectual Property News" to all employees, sharing intellectual property-related information and cases and answering hot topics of concern to employees.

In 2023, the Company did not experience any intellectual property infringement incidents.



The Company's special training activities on "Trademark and Patent Usage and Joint Marketing" organized in 2023.



# Innovation and Research & Development

## System and Planning for Product and Service Innovation

The Company places great importance on technological innovation and mainly adopts the following measures to promote technological innovation and build a standardized, efficient, and sustainable research and development system:

1. The Company continuously increases investment in R&D expenses to support the research and development of new technologies and products. In recent years, the Company has consistently bolstered its investment in R&D.

In 2023, the Company invested

RMB **276** million

in R&D expenses

Accounting for

**7.27** %

of total revenue

Representing a year-on-year increase of

**1.51** % 

2. The Company advocates an innovative atmosphere internally, encourages employees to propose new ideas and actively try them out, tolerates failure, and learns from mistakes. The Company encourages collaboration and communication between different departments to promote knowledge sharing and technology integration.

3. The Company highly values attracting and retaining technical talent, providing continuous training and career development opportunities, and establishing partnerships with universities, research institutions, suppliers, and clients to jointly engage in technology development.

4. The Company continuously monitors industry trends and emerging technologies to promptly adjust its R&D direction. For example, the Company has actively deployed in the latest technological fields such as blockchain, artificial intelligence, and HarmonyOS financial systems.

5. The Company adopts effective project management methods to ensure that technological

innovation projects are completed on time and with quality. The Company regularly assesses technological innovation processes and outcomes. The Company learns from the R&D system experiences of industry benchmark enterprises, and continuously optimizes and improves.



In February 2023, the Company conducted in-depth exchanges and discussions with a visiting team from Southeast University on topics such as deepening university-enterprise cooperation, talent cultivation, and technological innovation.



In April 2023, the Company held a special training session on "R&D Project Management under the IPD System".

## Research and Innovation Platform Construction

The Company established the XGD Digital Currency Application Laboratory in Suzhou, focusing on research in areas such as digital currency terminal equipment manufacturing and related system upgrades. The Laboratory aims to accelerate the improvement of the digital RMB acceptance environment's ecosystem and become a leader in the domestic application and implementation of digital currencies. For digital RMB acceptance scenarios, the Company can provide digital RMB acceptance solutions in various contexts. Currently, the Company has carried out full-scenario design for the digital RMB innovation demonstration park, achieving park-level pilot testing and application of digital RMB to facilitate the promotion of digital RMB.



In March 2023, XGD participated in the 2023 Suzhou Digital RMB Sustainable Development Seminar.

## Number of R&D Personnel and R&D Investment

As of December 31, 2023, the Company had 557 R&D personnel, with the overall R&D team's size and strength at the industry's leading level.

The Company highly values technological research and development. As a domestic leading electronic payment equipment enterprise and third-party payment service provider, it continuously enhances user experience and client value through technological innovation.

## Innovation Achievements

The Company has always adhered to the path of independent R&D and has continuously increased investment in product and technology R&D. As of December 31, 2023, the Company's R&D achievements in patents, computer software copyrights, and software products are as follows: 153 patents obtained, including 78 domestic invention patents and 11 international patents; 462 software copyright certificates obtained; and 369 trademarks owned. The aforementioned scientific research achievements safeguard the Company's sustainable development and constitute one of its core competitive advantages.

During the reporting period, the Company actively invested R&D resources in new technologies, new payment methods, and new application scenarios such as SoftPOS, digital RMB, and HarmonyOS domestic financial operating systems. The Company continuously strengthens its R&D management capabilities, enhances development efficiency, quality safety, system interface and protocol standardization, and improves product design reliability and stability. It is fully prepared to meet the stringent security protection requirements of the payment market and verify the interaction protocols and key systems of digital RMB.

For the high-end market with higher barriers, the Company has continuously increased its investment in R&D technology, achieving significant breakthroughs in payment software and



hardware product certifications. To date, XGD Payment has obtained MPOC certification, PCI P2PE certification, PCI SLC certification, PCI PIN certification, Japanese FELICA certification, PCI KLD certification, European CC certification, UK RNIB certification, and Indian BIS certification, laying the foundation for subsequent expansion into key overseas markets.

Thanks to its profound accumulation and continuous deepening in the field of payment technology, in 2023, XGD Payment successfully passed the review for the Ministry of Industry and Information Technology's specialized, refined, innovative, and unique national key "Little Giant" enterprise and was awarded the title of "The 7th Shenzhen Top 100 Self-Innovative Small and Medium-sized Enterprises". It also received the 2023 Shenzhen Science and Technology Progress Award selected by the Shenzhen Science and Technology Award Committee Office.

## Industry Cooperation

### XGD Payment and Huawei Signed OpenHarmony Ecosystem Enablement Cooperation Agreement

On January 9, 2023, Shenzhen XGD Payment Technology Co., Ltd., a subsidiary of XGD, signed an OpenHarmony Ecosystem Enablement Cooperation Agreement with Huawei to jointly promote the prosperity and development of localization in the financial technology industry. According to the agreement, Huawei will provide OpenHarmony ecosystem enablement services for XGD. Based on OpenHarmony-compatible financial commercial devices, both parties will conduct in-depth cooperation in research and development, applications, and other fields to prosper the OpenHarmony ecosystem and jointly seek industry development.



### XGD Signed a Strategic Cooperation Agreement with China Unicom

On October 12, 2023, XGD signed a strategic cooperation agreement with China Unicom. The two parties will cooperate in areas such as advanced IoT information infrastructure construction, 5G innovative application exploration, "Internet + industrial development", and cross-industry cooperation. They will also deepen cooperation in fields such as IoT and smart living, financial payments, and digital currencies.





## Client Rights and Interests Protection

XGD INC. attaches great importance to client rights and interests protection and has established relevant systems to safeguard clients' and consumers' privacy and rights, mainly including the following two aspects:

In terms of client privacy, the Company has formulated systems such as the "Client Transaction Data and Identity Information Protection Management Measures", "Personal Information Security Management Measures", "Data Backup Management Regulations", and "System Security Audit System".

In terms of consumer rights protection, the Company has formulated systems such as the "Financial Consumer Rights Protection Management Measures", "Client Complaint Handling Regulations", "Major Risk Early Warning and Emergency Response Plan", "Internal Supervision and Accountability System for Financial Consumer Rights Protection Work", and "Consumer Rights Protection Review Mechanism".

## High-Quality Service

### Product Knowledge Popularization and Client Training

The Company's advertising and product descriptions adhere to the principle of "honesty" and do not contain false or exaggerated claims. According to the "Notice on Further Regulating Financial Marketing and Promotion Activities" (YinFa [2019] No. 316) and the relevant requirements of the "Financial Consumer Rights Protection Management Measures of JLPay", JLPay has established the "Consumer Rights Protection Review Mechanism of JLPay" to strictly regulate the content and behavior of financial marketing promotions by various departments, branches, and outsourcing service providers of the Company.

## Client Service System and Client Satisfaction Survey

### ● Client Service System

The Company has established a comprehensive after-sales consultation and complaint handling channel that is primarily based on a 7\*24-hour telephone client service hotline and supplemented by online client service (including but not limited to APPs, official accounts, online messages, intelligent client service, complaint email, etc.). In October 2021, JLPay further established a special green channel for Enterprise WeChat to accept complaints and publicly announced the complaint methods on the official website, official WeChat account, Weibo, APP, POS terminals, promotional materials, etc.

### ● Client Complaint Handling Mechanism and Process

The Company's complaint handling work is uniformly managed by the Complaint Handling Department of the Consumer Protection Office of the headquarters. In terms of complaint handling, the headquarters has formulated relevant systems such as the "Client Complaint Handling Regulations of JLPay", "Emergency Response Plan for Major Financial Consumption Disputes", and "Client Loss Compensation Mechanism of JLPay" clarifying the relevant responsibilities and handling procedures for various departments of the Company in terms of complaint handling standards, prevention, reporting, and emergency response to major consumer complaints to ensure that complaints are handled timely and properly.

In terms of complaint handling management, the Company has established an escalation handling mechanism and set up a special internal complaint and reporting leadership team responsible for comprehensively guiding the handling of various difficult and repeated

complaints and on-site visits, and regularly convenes complaint-specific meetings to assess, study, and implement improvements to the issues. In terms of the complaint handling process, the Company has established a top-down collaborative handling mechanism of "frontline personnel + complaint handling specialists + dedicated working groups".

After frontline personnel receive client complaints, they quickly forward the complaints and reports to the complaint handling specialists, who will verify the identity of the complainant and understand the situation of the complaint according to the process and handle it by category based on different complaint types.

For ordinary complaints, the complaint handling specialists will quickly handle them according to the daily process, including but not limited to guiding users to request refunds through self-service channels, providing manual refunds quickly for eligible cases, etc.; for difficult or complex complaints, targeted complaint solutions will be provided based on the nature and type of different complaints, and effective communication with clients will be conducted to resolve them properly. For clients who do not accept the solutions proposed by the complaint handling specialists or raise more other requests, the complaint handling specialists will directly report to the special leadership team for complaints and reports, which will intervene immediately, quickly analyze and judge, and tailor-make solutions to ensure that the complaints are resolved properly and efficiently.

Meanwhile, regarding the handling mechanism for major dispute incidents, in accordance with the requirements of regulations and rules such as the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests", the "Guiding Opinions of the General Office of the State Council on Strengthening the Protection of Financial Consumers' Rights and Interests" (GuoBanFa [2015] No. 81), and the "Implementation Measures of the People's Bank of China for the Protection of Financial Consumers' Rights and Interests" (Order No. 5 [2020] of the People's Bank of China), the Company has established the "Emergency Response Plan for

Major Financial Consumption Disputes", the "Major Risk Early Warning and Emergency Response Plan of JLPay", the "Client Complaint Handling Regulations of JLPay", and the "Regulations on the Management of Major Issues of JLPay", further clarifying the relevant responsibilities of various departments of the Company in terms of the prevention, reporting, and emergency response to major consumer complaints, regularly conducting emergency drills for major consumer complaints to ensure early detection, reporting, control, and resolution of risks, effectively protecting the legitimate rights and interests of financial consumers, preventing risks from further spreading and causing serious impacts on society. In 2023, the Company completed the handling of complaints within the prescribed time limit and submitted the handling status to the regulatory authorities in a timely manner. There were no adverse impacts due to improper handling, nor were there any major public opinion events caused by complaints and media exposure.

### ● Client Satisfaction Data

To understand client satisfaction and enhance client service experience, the Company conducts client satisfaction surveys through hotlines and WeChat groups. In 2023, after serving clients through the official hotline service channel, the Company promptly collected clients' satisfaction evaluations of the service, with an overall satisfaction rate of 93%, an increase of 1.6% compared to 2022.

The Company's client group operation service conducts monthly satisfaction surveys on service and product usage, with a satisfaction rate of 95.47% in 2023, an increase of 3.23% compared to 2022.

The Client Service Department regularly compiles and analyzes the satisfaction survey results, communicates with relevant departments to promote optimization and improvement for common issues, and conducts special surveys in the next survey to confirm the effects of

optimization and improvement for common issues. Meanwhile, the client satisfaction survey results will also serve as an important reference for the performance of relevant departments. Finally, the Company's business team also regularly conducts client visits to collect feedback on issues encountered during service and product usage.

The Company also regularly conducts client satisfaction surveys for new products. In 2023, it surveyed nearly 50,000 merchants regarding their satisfaction with product usage, with a satisfaction rate of 92% for the Company's products.

## Client Service Network

As of December 31, 2023, the Company has achieved product sales, service extension, and provided quality solutions in more than 90 countries worldwide. With the continuous improvement of client satisfaction and market recognition, the Company's brand value and brand recognition in the international market have gradually become manifestations of its core competitiveness.

In terms of domestic channels for acquiring business, JLPay, a subsidiary of the Company, has established cooperation with 400 banks, covering state-owned banks, joint-stock commercial banks, urban commercial banks, and rural credit cooperatives. JLPay has 36 branches, with direct-sales channels covering 178 cities across the country, initially establishing a nationwide direct-sales network.

## Responsible Marketing

The Company adheres to responsible sales and marketing, providing accurate and comprehensive information in market development, client sales, and product labeling management. The Company integrates compliance awareness throughout the entire business development and contract management processes, regulating the behavior of the sales team

and product team during business operations.

The Company regularly conducts training on responsible marketing, client communication, anti-corruption, and other topics for all sales personnel. For all market channel personnel, the Company conducts irregular training and assessments, covering laws and regulations, business knowledge, business etiquette, and marketing systems.

The Company strictly requires all branches and outsourcing service providers to absolutely prohibit improper competition, misleading consumers, or illegal and non-compliant language from business personnel and outsourcing service providers when conducting marketing and promoting products. Exaggerated promotions, dissemination of false information, language that damages peer institutions and personnel, and the use of confusing trademarks are also prohibited. The Company conducts public opinion monitoring and tracking management.

## Information Protection and Data Security

The Company attaches great importance to information security and protection, taking the following measures to ensure user privacy and information security:

### Institutional Safeguards



In accordance with regulatory regulations, industry norms, and information security-related laws and regulations, the Company has established a comprehensive information security system covering data center physical security, network security, application security, system construction management, personnel security, and system operation management. Daily work is carried out strictly according to procedural regulations, including the "Client Transaction Data and Identity Information Protection Management Measures", "Personal Information Security Management Measures", "Data Backup Management Regulations", and "System Security Audit System". Additionally, the Company has obtained the ISO/IEC 27001 Information Security Management System Certification.





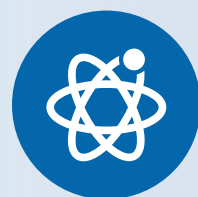
## Physical Safeguards

The Company ensures information security through various physical security measures such as domestic business system deployment, remote application-level backup data centers, highly reliable disk array servers, multi-operator and multi-link settings.



## System Safeguards

In terms of business system technology, the Company ensures data information security through a secure network architecture design, robust firewall configurations, encrypted information transmission technology, and hierarchical authorization for data access.



## Technological Safeguards

Faced with evolving fraud methods in the financial sector, the Company adheres to the concept of technology empowering business. Based on big data and artificial intelligence technology, it has built a payment risk prevention and control system with independent intellectual property rights. Through massive cross-industry and cross-domain automatic deep mining of data, correlation analysis, and tracing risk transactions, it has constructed a comprehensive and multi-layered "before, during, and after" anti-fraud risk management system throughout the entire process. Risk prevention and decision-making systems, along with intelligent services, have covered all merchants. The reliability of system risk prevention and decision-making data is at the leading level in the industry.

In 2023, the Company strictly implemented industry norms and information security-related laws and regulations, with no client information leaks or information security incidents occurring.

# Quality Management

## Quality Control Policies, Systems, and Mechanisms

Excellent products and services are the foundation of the Company's business. The Company has established a quality management system suitable for its business characteristics, practicing comprehensive quality assurance and prevention.

The Company has formulated a full-process quality control system for product research and development and production, including the "Design and Development Control Procedure", "Project Management Control Procedure", "Incoming Inspection Control Procedure", "Process Control Procedure", and "Finished Product Inspection Control Procedure". The Company conducts comprehensive management strictly according to the internationally standardized quality and safety system. The Company has obtained ISO 9001 Quality Management System Certification.

In production operations, the Company strictly implements enterprise job operation specifications and quality assessment systems. Through annual internal audits, external audits, and management reviews, it continuously improves the quality management system, ensuring the adequacy and effectiveness of its operation. In production operations, the Company strictly implements enterprise job operation specifications and quality assessment systems. Through annual internal audits, external audits, and management reviews, it continuously improves the quality management system, ensuring the adequacy and effectiveness of its operation.

## Quality Assurance Efforts and Achievements

The Company adheres to the guiding ideology of total quality management, focusing on four key areas: research and development quality, supplier quality, production quality, and after-sales quality. It conducts comprehensive quality training, quality promotion, quality reviews, and other important activities across the entire organization to prevent and eliminate recurring issues.

1. With a firm commitment to the Quality 4.0 goal, the Company has involved all employees in optimizing the product development process and completed the IPD 3.0 upgrade, ensuring more efficient and higher-quality product development.
2. Adhering to the strategic partnership mindset of win-win cooperation, the Company organizes resource procurement quality selection to identify strategic suppliers. At the same time, it concentrates human and material resources to provide centralized training and coaching activities for suppliers. This has stabilized the quality of material delivery, thereby ensuring the quality of product delivery.
3. Implementing the guiding principle that prevention is better than crisis management, the Company refines the manufacturing process in factories, adds confirmation and control points for key positions, and accelerates automation upgrades, thereby consolidating and steadily improving production yields and product quality.
4. Embracing a client-centric corporate culture, the Company has shifted from resolving customer complaints to serving customer needs, maintaining frequent communication with clients, understanding, assisting, and serving them, thereby earning their recognition.

## Quality Control Training

The Company provides high-quality quality training courses for employees, setting core skills and course objectives based on positions and job levels, and linking the completion of key courses to personnel promotions.

The Company invites internal and external experts to conduct professional training and assessments, offering training in quality tools, work skills, system processes, and product processes for engineers and managers. Assessments are conducted through a combination of theory and practical exercises. During the reporting period, the Company conducted five quality-related training sessions both online and offline, with over 600 participants.

## Product Recall System

To protect the interests of customers and consumers, as well as public safety, the Company has established a comprehensive product recall system in accordance with the Product Quality Law of the People's Republic of China, including the following:

- (1) Identifying and confirming defective products: Determining safety issues or defects in products, mainly through internal quality testing, consumer feedback, or notifications from relevant regulatory agencies.
- (2) Formulating a recall plan: Once a product defect is confirmed, the Company must develop a detailed recall plan, including specific recall procedures, timelines, and an assessment of expected impacts.
- (3) Notifying relevant parties: The Company must report the recall plan to relevant regulatory

authorities and obtain approval. Meanwhile, consumers and sellers must be informed of the recall information through various channels, such as media announcements and direct notifications.

(4) Implementing the recall: According to the formulated plan, defective products are collected, and consumers are provided with return and exchange services, repairs, or other remedial measures.

(5) Monitoring and evaluation: During the recall process, the Company should monitor the implementation of recall activities and evaluate the recall effectiveness to ensure that all affected products are properly handled.

(6) Follow-up improvements: Analyzing the causes of product defects and taking measures to prevent similar issues from recurring.

## Supply Chain Quality Management Measures

The Company conducts quality management such as entry audits and performance monitoring for all suppliers. The Company sets clear quality requirements for suppliers and evaluates their quality levels and quality management capabilities based on dimensions such as evaluation of quality system management, personnel competence, product development and process quality, and quality improvement.

For key suppliers that fail the audit rating, the Company assigns internal quality team members to be stationed at the supplier's site to assist them in improving quality and ensuring delivery based on their own experience and capabilities. For issues identified during on-site audits, the Company's quality team members guide suppliers in implementing corrective measures.

## Supplier Management System Related to Production and Supply Chain

### The Company's Supplier Management System

The Company has formulated a series of supplier management system regulations, including the "Sourcing and Supplier Management System", "Supplier Performance Evaluation Management Process", and "Supplier Freeze and Exit Management Process". The Company conducts regular monitoring of supplier qualifications, contract performance, safety, integrity, and other management aspects, guiding and supervising suppliers to improve based on the issues list, and ensuring the safety and compliance of supplier business operations.

Based on dimensions such as supplier quality performance, project development cooperation, quality improvement, and contributions to special quality improvement initiatives, the Company regularly selects outstanding suppliers and recognizes them through supplier meetings, emails, and other channels.

### Supplier Tiered Management

The Company's supplier tiered management is standardized through regulatory documents such as the "Sourcing and Supplier Management System" and "Supplier Performance Evaluation Management Process". In 2023, the Company eliminated one supplier and restricted the use of 19 suppliers.



## ESG Risk Management and Control in the Supply Chain

To promote sustainable development within the industry chain, the Company combines the current management status of suppliers to propose sustainable development management goals and improvement requirements, and has formulated the "Supplier/Contractor Environmental Factor Evaluation Form". These goals include increasing the proportion of environmentally friendly materials used, reducing carbon emission intensity, and reducing energy consumption per unit of product.

The Company continuously conducts multiple sustainable development training sessions for internal procurement personnel to enhance their management capabilities in the field of supply chain sustainable development.

## Supporting Supplier Growth

The Company regards suppliers as important business partners and adopts the following measures to work together with suppliers for mutual growth:

1. Providing Feedback and Training: Regularly communicate with suppliers and provide detailed feedback on their products or services; organize training courses or seminars to help them understand industry standards, best practices, and new technologies.
2. Technology and Knowledge Sharing: Share technical knowledge, management experience, and market information to assist suppliers in optimizing production processes and improving product quality.
3. Joint Planning and Development: Establish long-term cooperative relationships with

suppliers, jointly formulate development plans, clarify future business goals and milestones, and assist them in achieving these goals.

4. Risk Management: Help suppliers identify potential risk factors and provide solutions or preventive measures to reduce the possibility of business interruptions.

5. Certification and Compliance: Support suppliers in obtaining industry-related certifications, which can not only enhance their brand image but also help them enter new markets.

6. Procurement Policy Optimization: Adjust procurement policies, such as reasonably quantifying order sizes to avoid excessive inventory or financial pressure, while also ensuring suppliers' production stability.

7. Incentive Programs: Implement reward mechanisms to recognize suppliers with excellent performance and continuous improvement, motivating them to continue improving service quality and operational efficiency.



# Rights and Interests Protection

## Building a Sustainable Workplace

### Diverse Cultural Atmosphere

The Company advocates for a diverse, equal, and inclusive workplace atmosphere, providing employees with various cultural activities and encouraging them to actively integrate into diverse cultures. In 2023, the Company organized diverse cultural activities with innovative forms and rich content, receiving positive feedback from employees.

In 2023, the Company internally recruited, filmed, and released a series of short videos for the XGD Cultural Little Theater. The cultural little theater short videos were planned around the Company's values and consisted of four episodes: "Client-Centric", "Progress-Oriented", "Collaboration for Efficiency", and "Self-Criticism Persistence". Over 20 roles were played by company employees, deeply involving and promoting the Company's culture.

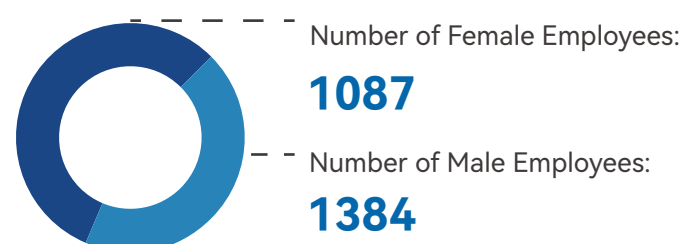
In March 2023, the Company held the 2023 New Year Gala and 2022 Employee Summary and Recognition Ceremony, establishing multiple honorary awards, including individual and team awards, to recognize outstanding performers and teams based on comprehensive performance.



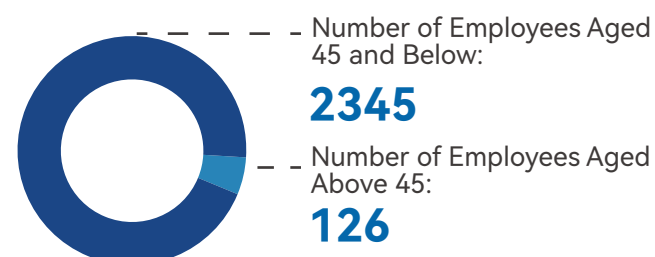
On October 24, the Group organized Engineer's Day-related activities, including an online "Coding Challenges" quiz. A total of 319 people participated, with 49 successfully completing all three levels. The quiz topics covered corporate culture, financial security, technical information, and product introductions.

## Employee Overview

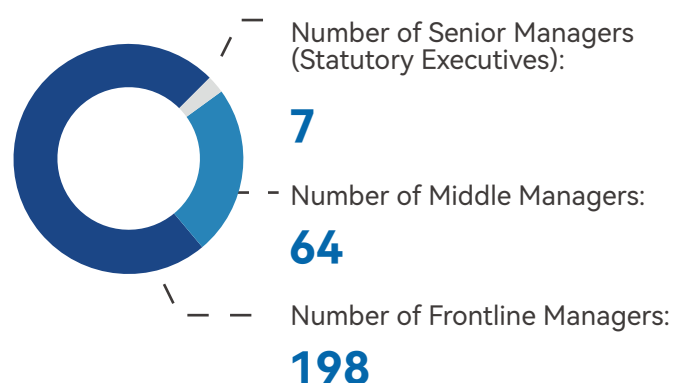
### Gender Structure



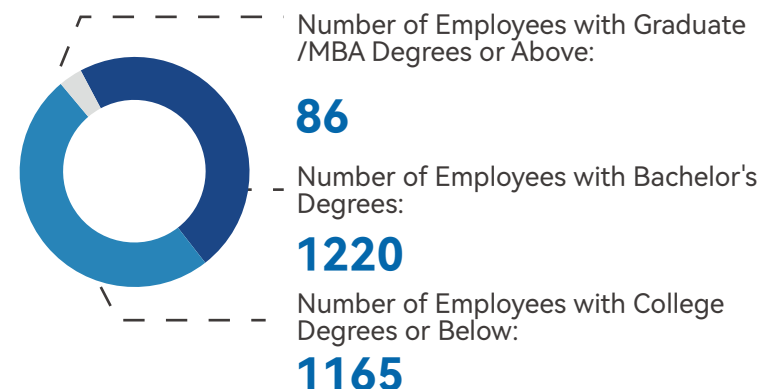
### Age Structure



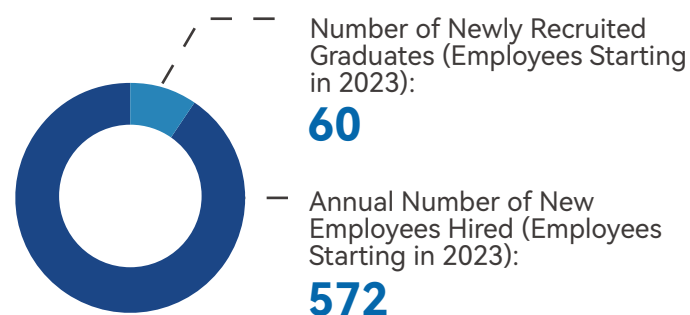
### Manager Type Structure



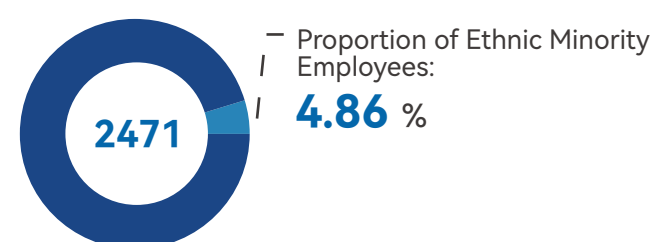
### Educational Background Structure



### Newly Recruited Employees



### Total Number of Employees Receiving Compensation in the Current Period



## Workplace Compliance

**Remuneration of Directors, Supervisors, and Senior Management:** The Remuneration and Appraisal Committee under the board of directors is responsible for conducting performance evaluations of the Company's directors and senior executives. The total remuneration of senior executives consists of fixed monthly salaries, annual performance bonuses, long-term incentives, and welfare subsidies. The Company has established a comprehensive incentive system for senior executives, with remuneration philosophies aligned with the Company's value orientation and corporate culture, supporting the implementation of the Company's development strategy. The Company conducts annual performance evaluations of senior executives, with work performance directly applied to salary adjustments and bonus allocations, directly linked to personal income.

**Employee Remuneration:** The Company has formulated a clear "Remuneration Management System" and continuously improved assessment and incentive restraint mechanisms in line with development status. During the reporting period, the labor contract signing rate and social insurance coverage rate were both 100%. The Company strictly complies with labor law requirements for employee induction procedures, signing electronic labor contracts on the first day of employment and purchasing insurance for regularized employees. In 2023, a total of 22 female employees began maternity leave, with an average paid maternity leave of 178 days per employee.

**Employee Welfare:** The Company pays attention to employee health, providing regular free physical examinations annually. It also provides festive gifts or organizes themed activities for employees during festivals such as the Lantern Festival, Dragon Boat Festival, and Mid-Autumn Festival, creating a warm festive atmosphere. Additionally, the Company organizes a series of special activities, including birthday gifts for employees, anniversary employment commemorative gifts, summer herbal tea events, departmental team-building activities, and family activities, making employees feel the Company's meticulous care. To facilitate employee dining, the Company headquarters provides venues to introduce businesses to open canteens,



with the Company offering meal allowance discounts. The Company has formulated policies to assist employees with serious illnesses, helping both the employee and their family through difficult times. Special labor protection is implemented based on women's physiological characteristics and the special impact of labor conditions on women's physical health. The Company respects the special requirements of female employees during work and provides necessary protection and care during the "four periods" (menstruation, pregnancy, childbirth, and lactation). To enrich employees' recreational and sports activities and enhance their physical fitness, the Company organizes associations for badminton, basketball, yoga, etc., regularly organizing activities weekly to increase employees' enthusiasm for exercise, enhance communication among employees, and help employees develop comprehensively.



## Democratic Management and Communication

To understand employee needs and listen to their voices, the Company conducts internal satisfaction surveys annually, collects employee opinions, and continuously improves company services based on feedback. Furthermore, the Company has established a labor union committee with a legal representative, as well as union committee members such as fund audit commissioners and women's commissioners, ensuring that the labor union effectively fulfills its role, protects and motivates the enthusiasm of employees, and thereby safeguards the legitimate rights and interests of workers.

In 2023, the Company conducted four surveys on cultural activity satisfaction, three votes on holiday gifts, one survey on perception of integrity, one survey on strategic awareness, one

annual internal customer satisfaction survey, and irregularly conducted satisfaction surveys on the canteen.

In August 2023, the Company's human resources department led the update of the design plan for the Company's AT meetings, further clarifying the Company's AT operation mechanism and enriching meeting functions such as personnel appraisal and cadre inspection. This improved the quality of human resource decisions and expanded democratic collective decision-making amid rapid updates and development of the organizational structure.

## Human Capital Development

### Talent Development Strategy

The Company values the selection and cultivation of talent, investing human resources in participating in campus recruitment programs. In April 2023, the Company visited Hunan University, Central South University, and Guilin University of Electronic Technology to conduct internship recruitment. In September of the same year, it went to Hubei, Jiangxi, Guangzhou, and other places to implement the 2024 autumn campus recruitment, with over 60 participants in the campus recruitment projects.

The Company continuously carries out special training plans for new employees, conducting targeted experience sharing and skills training, mainly including the "Cloud Plan" for campus recruits, the "Nova Plan" for social recruits, and the "Eagle Plan" for branch office newcomers. The Company has established an in-service education management mechanism for employees, offering three major learning funds: autonomous training improvement rewards, further study rewards, and interest-free loans for in-service education, targeting the career development of in-service employees. Employees are encouraged to enrich and improve their knowledge structure and enhance themselves comprehensively while diligently working.

## Employee Training System

The Company and its subordinate business units actively organize various specialized activities, striving to create a comprehensive and three-dimensional training system for employees. In 2023, to enhance employees' leadership and professional expertise, the Company held the XGD Partner Marketing Center Summary and Business Training Meeting, covering 76 sales elites nationwide. The XGD Hunan-Jiangxi Branch Elite Training Camp, the Domestic Channel Center Core Backbone Special Training, and other training camps were successfully held, covering hundreds of elite partners across the Company.



The Company has a total of 105 part-time reserve lecturers and 9 newly certified lecturers annually. In 2023, part-time lecturers conducted 312 classes, training a total of 3,024 students. The Company encourages diversified learning among employees. Part-time lecturers receive teaching rewards, and participating employees receive points rewards, helping the Company improve its training mechanism while internally preserving and disseminating knowledge and expertise.

The Company has established the New Learning Community, facilitating interconnected training and learning. During the year, the Group's Human Resources Center organized 10 training sessions covering themes such as general qualities, product introductions, technical sharing, and industry trends, helping employees break down internal information barriers, share learning outcomes, and enable group lecturers to leverage their strengths.



## Employee Training Performance



Total training sessions conducted in 2023:

**312**



Number of training participants in 2023:

**3024**



Cumulative training hours in 2023:

**412**

## ● Employee Promotion and Development

To ensure employees have fair promotion opportunities and smooth development paths, the Company has formulated a series of systems and initiatives, including the Performance Management System, and conducts quarterly, semi-annual, and annual evaluation feedback based on performance targets. The implementation of the Company's performance management business is conducive to enhancing performance and competency, helping employees become key talents for strategic development, improving the Company's overall competitiveness, and promoting the achievement of overall goals.

The Company has established four levels of professional certification: Management (M-sequence), Technical (T-sequence), Professional (P-sequence), and Support (S-sequence). At the beginning of each year, the Company orderly initiates the job-level certification process. In 2023, a total of 270 employees submitted certifications, including 252 within the same sequence for promotion, 11 across sequences for promotion, and 7 across sequences for lateral transfer. The Company encourages employees to choose the most suitable development path based on their personal strengths and career expectations.

## ● Employee Incentives

The Company has established a relatively scientific and reasonable compensation system based on national labor laws, industry conditions, and the Company's actual situation. The Company offers competitive salary and benefits packages and establishes a mechanism for the Company and employees to reasonably share the Company's development achievements, making compensation commensurate with positions and personal contributions. At the same time, the Company further optimizes its compensation structure and performance appraisal methods based on industry characteristics to enhance the rationality of employee compensation.

The goal of the Company's incentive policies is to motivate employees to work actively while encouraging them to develop together with the Company. The Company continuously launches equity incentive plans covering middle and senior-level employees and technical backbones to incentivize employees with special contributions. In 2023, three stock option incentive plans from 2020, 2021, and 2022 were continuously implemented, covering more than 300 incentive objects.

## ● Health and Safety

### 1. Information Security

To protect information security, standardize data processing activities, and ensure data stability, the Company has established an information security emergency response team. The emergency response team actively promotes information security knowledge within the Company, organizing two popular science sessions on the newly issued "Data Security Law of the People's Republic of China", one promotional education session on the "Personal Information Protection Law of the People's Republic of China", and one simulation exercise on phishing emails related to consumer vouchers throughout the year.

### 2. Safe Work Environment Construction

The Company has obtained OHSAS18001 Occupational Health and Safety Management System Certification, ISO45001 Occupational Health and Safety Management System Certification, ISO 14001 Environmental Management System Certification, ISO9001 Quality Management System Certification, and ISO/IEC27001 Information Security Management System Certification. The Company strictly identifies relevant regulations according to the ISO14001 standard and makes corresponding investments in environmental protection.

The Company always adheres to the principle of "safety first, prevention as the goal, and comprehensive prevention means", timely and effectively organizing safety production



managers, professionals, and other relevant personnel to implement comprehensive hidden danger investigation and treatment to prevent accidents, improve working conditions, and reduce occupational hazards.

3. Safety Training and Drills

On August 18, 2023, to further popularize first aid knowledge and improve emergency self-rescue and mutual-rescue capabilities, the Company organized the third first aid skills training. The training invited nurses from the Emergency Department of Peking University Shenzhen Hospital to teach, combining theoretical instruction with simulation exercises, with a total of more than 40 employees participating.

On November 30, 2023, the Company jointly organized the third fire safety training with the property fire protection center, themed "Prevention First, Life Above All". During the training, a fire alarm scene was preset in the office park, guiding employees to adopt the correct posture to reach the safety evacuation point in an emergency and in an orderly manner during the evacuation process through the fire escape, and then proceed to the first floor to learn about fire-fighting equipment.

In December 2023, to implement the requirements of the "Notice of the General Office of the People's Bank of China on Printing and Distributing the Work Plan for the Propaganda and Implementation of the Anti-Telecom Network Fraud Law of the People's Republic of China", effectively enhance the Company's employees' awareness of fraud prevention and the legal awareness of using payment instruments in accordance with the law, and improve their abilities to identify and prevent fraud, the Company's brand center invited officers from the Anti-Fraud Center of Nanshan District, Shenzhen, to conduct special training sessions. Employees from the headquarters and various branch offices actively participated, with more than 300 people participating online and offline.

Health and Safety

Employee Occupational Health Examination Coverage Rate	%	100
Occurrence of Health and Safety Accidents	/	0
Number of Employee Deaths Due to Work-Related Accidents	Person	0
Days lost due to work injury	Day	0
Number of Emergency Drills	Sessions	1
Number of Participants in Emergency Drills	Person-times	400
Number of Health and Safety Training Sessions	Sessions	1
Number of Participants in Health and Safety Training	Person-times	40
Hours of Health and Safety Training	h	3

## Continuously Giving Back to Society

### Implementing Fee Reduction and Profit Sharing

To implement the notice of the People's Bank of China and three other ministries and commissions on reducing fees for small and micro-enterprises and individual businesses, and in response to the initiatives of the China Payment and Clearing Association and the China Banking Association to reduce payment fees for small and micro-enterprises and individual businesses, JLPay, a subsidiary of the Group, has taken various measures to reduce the operating costs of micro-merchants and actively fulfill its social responsibility. As of December 31, 2023, the actual cumulative fee reduction scale of the Company's self-initiated fee reduction projects reached 68.1547 million yuan, benefiting 491,600 small and micro-enterprises and individual businesses.

### Popularizing Financial Knowledge

On March 15, 2023, under the guidance of various regulatory units, JLPay's branches across the country went into communities and streets to closely interact with consumers, comprehensively popularize financial consumption knowledge, enhance consumers' risk awareness, and improve their prevention abilities.

### Supporting Rural Construction

On March 26, 2023, to commemorate the 15th anniversary of the liberation of Tibet's million serfs, the Commerce Bureau of Lhasa City, Tibet Autonomous Region, went to the village-level point (Longzhugang Village, Maizhokunggar County) to carry out the themed event of "March 28, the 64th Anniversary of the Liberation of Tibet's Million Serfs". During the event, under the guidance of the Lhasa Commerce Bureau, JLPay responded positively to the national call of "Hundred Enterprises Helping Hundred Villages", effectively fulfilled the social responsibility of party building and collaboration enterprises, extended condolences to farmers and herdsman, and subsequently donated Tibetan-style tables, chairs, bookcases, and other furniture to the activity rooms of the eight party branches in Longzhugang Village.

### Conducting Voluntary Blood Donations

On June 30, the Party General Branch of XGD jointly held a voluntary blood donation event with the Shenzhen Blood Center, themed "Condensing Positive Youth Energy and Passing on Love through Voluntary Blood Donation". A total of 31 party members and staff participated in this event, donating more than 10,000 milliliters of blood.

Carrying Out Anti-Fraud Publicity

On October 31, 2023, to implement the work requirements of the Party Central Committee and the State Council on combating and managing telecom network fraud and cross-border gambling, under the guidance of the People's Bank of China and the China Payment and Clearing Association, JLPay strengthened cooperation between the police, enterprises, and schools, and worked with Nanshan Foreign Language School (Group) High-tech Middle School, the Anti-fraud Center of the Nanshan Branch of the Shenzhen Municipal Public Security Bureau, and the High-tech Zone Police Station of the Nanshan Branch of the Shenzhen Municipal Public Security Bureau to carry out a promotional event titled "2023 Anti-fraud and Anti-gambling Campus Tour".



Appendix: Feedback Form

Thank you for taking the time to read XGD's 2023 Environmental, Social, and Governance (ESG) Report. To provide you and other stakeholders with more professional and valuable information, we sincerely invite you to fill out the relevant questions in this feedback form, share your valuable opinions and suggestions with us, and provide feedback through the following methods. We sincerely look forward to your suggestions and opinions. Thank you!

Tel: 0755-83481391  
E-mail: xgd-zqb@xgd.com  
Address: 20th Floor, Tower B, Building 10, Shenzhen Bay Technology Eco-Park, Shenzhen  
Contact: Secretary to the Board of Directors, XGD INC.

1. Your identity relative to XGD:

☐ Employee ☐ Client & Consumer ☐ Shareholder or Investor ☐ Supplier ☐ Government & Regulatory Agency

☐ Media/Industry Association ☐ Other (Please specify)

2. Your overall evaluation of this year's ESG report:

· What's your comprehensive evaluation of this report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

· What's your evaluation of the clarity, accuracy and completeness of the information, indicators and data disclosed in this report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

· How do you think XGD has performed in terms of environmental responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

· How do you think XGD has performed in terms of social responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

· How do you think XGD has performed in terms of governance responsibility?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

· What's your evaluation of the content arrangement and layout design of this report?

☐ Excellent ☐ Good ☐ Average ☐ Poor ☐ Very Poor

3. What content in this year's ESG report has attracted your attention the most?

\_\_\_\_\_

\_\_\_\_\_

4. What additional information would you like to see in this report?

\_\_\_\_\_

\_\_\_\_\_

5. What other opinions or suggestions do you have for our ESG report or ESG work and sustainable development management?

\_\_\_\_\_